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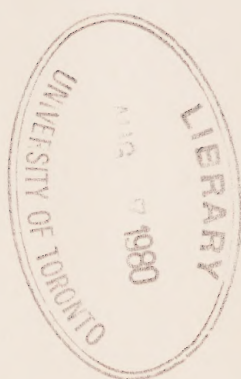


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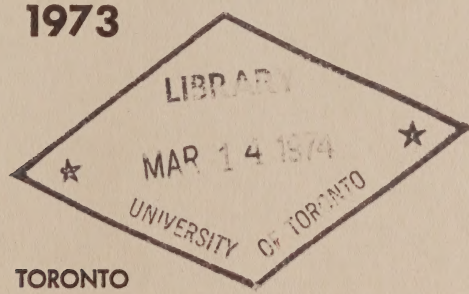
PROVINCE OF ONTARIO



Provincial Auditor's Office

**REPORT OF THE PROVINCIAL AUDITOR  
TO THE LEGISLATIVE ASSEMBLY**

**For the Fiscal Year Ended March 31  
1973**



**TORONTO  
PRINTED AND PUBLISHED BY THE QUEEN'S PRINTER  
1973**





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THE HONOURABLE  
WILLIAM ROSS MACDONALD, P.C., C.D., Q.C., LL.D.,  
*Lieutenant Governor of the Province of Ontario*

Sir:

I have the honour to present the Report of the Provincial Auditor for the fiscal year ended March 31, 1973, in accordance with the requirements of The Audit Act.

Respectfully submitted,

 C.A.

F. N. SCOTT, C.A.,  
*Assistant Provincial Auditor.*

Toronto, November 30, 1973.



The accidental death of Mr. W. S. Groom, B.A., M.B.A., F.C.A., Provincial Auditor, on July 21, 1973 is recorded with profound regret.

The late Mr. Groom joined the Public Service of Ontario in 1956. Mr. Groom was appointed Provincial Auditor on February 1, 1973 after having served as Assistant Provincial Auditor, and as Executive Director and Director in the Department of Social and Family Services.

Throughout his years in the Public Service as well as in private life, Mr. Groom was highly respected for his demonstrated ability and proven leadership. He was a man of integrity, with high moral standards, personal convictions and deep concern for all. His untimely death at forty years of age ended an outstanding career.



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## REPORT OF THE PROVINCIAL AUDITOR

### 1972 - 1973

**1. Functions and Responsibilities.** The functions and responsibilities of the Provincial Auditor are set out in The Audit Act, R.S.O. 1970, Chapter 36, as amended.

**2. Reporting.** The reporting requirements to the Legislative Assembly on the results of my examinations are set out in section 20 of The Audit Act. This section reads as follows:

"20.—(1) The Auditor shall make an annual report to the Assembly respecting the fiscal year then closed,

- (a) as to his examination of accounts of receipts and payments of public moneys;
- (b) as to his examination of the statements of assets and liabilities, the Consolidated Revenue Fund, the net general revenue and expenditure and related statements in which he shall express an opinion as to whether the statements present fairly the financial position of the Province and the results of its operations and whether the statements were prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period;
- (c) as to all special warrants issued and the amounts expended thereunder;
- (ca) as to all cheques for the issue of which he has refused to certify, citing the date and the amount of any expenditures incurred in consequence thereof;
- (d) as to all orders of the Management Board of Cabinet issued for the authorization of expenditure in excess of appropriations, citing the date, the amount authorized and the amount expended;
- (e) as to any important change in the extent or character of any examination made by him; and
- (f) as to such matters as he desires to bring to the attention of the Assembly. R.S.O. 1970, c. 36, s. 20(1); 1971, c. 54, s. 5(1).

(2) The report of the Auditor shall be delivered to the Lieutenant Governor in Council and laid before the Assembly not later than the tenth day of the first session held in the following calendar year. 1971, c. 54, s. 5(2)."

3. I now report that I have examined the Statement of Assets and Liabilities of the Province of Ontario as at March 31, 1973, the Statements of the Consolidated Revenue Fund, the General Revenue and Expenditure and related statements for the year ended on that date.

Subject to the comments in this Report, in my opinion these financial statements present fairly the financial position of the Province as at March 31, 1973 and the results of its operations for the year then ended and were prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

4. The examination of the accounts of the Province for the year ended March 31, 1973 was made in conformity with sections 9, 19, 21 and 24 of The Audit Act which read as follows:

"9.—(1) Except where otherwise provided, the Auditor shall examine on behalf of the Assembly all accounts of expenditure of public moneys out of the Consolidated Revenue Fund, whether held in trust or otherwise.

(2) The Auditor shall satisfy himself that every account requisitioned for payment is in accordance with the terms and conditions of the grant to which the account relates. R.S.O. 1970, c. 36, s. 9(1, 2).

(3) The Auditor, after satisfying himself that a voucher has been examined and certified as correct by the ministry concerned, may, in his discretion and having regard to the character of the departmental examination, admit it as satisfactory, but, if the Management Board of Cabinet desires any voucher to be examined in greater detail, the Auditor shall do so. R.S.O. 1970, c. 36, s. 9(3); 1972, c. 1, s. 2.

19.—(1) The Auditor shall, on behalf of the Assembly, examine in such manner as he considers necessary all accounts of receipts and disbursements of public moneys forming part of the Consolidated Revenue Fund whether held in trust or otherwise in order to ascertain that adequate regulations and procedures are in operation,

(a) to secure an effective check of the assessment, collection and allocation of revenue; and

(b) to ensure that expenditures have been made in accordance with legislative authority. 1971, c. 54, s. 4.

(2) The Auditor shall satisfy himself as to the correctness of the accounts mentioned in subsection 1. R.S.O. 1970, c. 36, s. 19(2).

21. Nothing in this Act shall be construed to require the Auditor to examine or report upon the accounts of any agency of the Crown if the Lieutenant Governor in Council, in pursuance of statutory authority in that behalf, has designated another auditor to examine and report upon the accounts of such agency. R.S.O. 1970, c. 36, s. 21.

24. Sections 9, 11, 12, 14, 17 and clause *ca* of subsection 1 of section 20 do not apply to ministries designated by the Lieutenant Governor in Council

under section 12 of The Financial Administration Act, 1971, c. 54, s. 6, part; 1972, c. 1, s. 2."

The examination of the revenue accounts was made during the year on a post-audit basis. The examination of the expenditure accounts continued on a pre-audit basis for those Ministries not exempt under section 24 of The Audit Act referred to above. The post-audit function by the Provincial Auditor commenced on April 1, 1972 for three Ministries and at varying times during the year for thirteen other Ministries. At March 31, 1973 one more Ministry was designated for post-audit leaving six Ministries still subject to pre-audit by the Provincial Auditor at April 1, 1973.

The authority for the audit of Boards, Commissions and other Crown Agencies is contained in the related statutes governing each Agency. Public accountants have been designated as auditors of a number of such Agencies with the balance being audited by the Provincial Auditor. Agencies audited by public accountants include Clarke Institute of Psychiatry, Ontario Cancer Institute, Ontario Mental Health Foundation, Ontario Municipal Employees Retirement Board, Ontario Research Foundation, St. Clair Parkway Commission, Teachers' Superannuation Commission, The Hydro-Electric Power Commission of Ontario, The Ontario Institute for Studies in Education and Workmen's Compensation Board.



## ASSETS AND LIABILITIES

5. The Statement of Assets and Liabilities of the Province of Ontario as at March 31, 1973, with comparative figures for 1972, as shown in the Public Accounts, is reproduced as Exhibit 1 to this Report. An explanatory note on the basis of reporting is presented on page 5 of Volume 1 of the Public Accounts and reads as follows:

### "BASIS OF REPORTING

The financial statements reflect the 'cash flow' principle of accounting used by the Province of Ontario in which transactions are recorded as cash flows into and out of the Consolidated Revenue Fund. As the name implies, it is through this fund that provincial moneys must pass in accordance with the annual budget approved by the Legislature whose duty it is to report to the public on the source and disposition of the revenues which it receives.

With respect to the financial operations of the provincial Crown corporations, agencies, boards and commissions, the financial statements presented in Volume 1 reflect (i) the year-end position of the advances to or the investments in these entities which are made from the Consolidated Revenue Fund and (ii) the extent to which their operations have been financed from or have contributed to the Fund for the year.

The transactions of the Consolidated Revenue Fund are presented on a basis designed to highlight the three distinct areas of government activity:

'budgetary transactions', which relate to operational activities;

'non-budgetary transactions', which relate to the lending, investment and trust administration function; and

'debt transactions', which relate to borrowing and repayment.

Part of government's role is to provide facilities which have lasting value, such as roads, buildings and other public works. Such expenditures on fixed assets do not produce income in the same way as is expected of expenditures on fixed assets of a business. Nor can it be said that expenditures on a new road, for example, will benefit future tax payers in a way which is significantly different from expenditures on education or the prevention of forest fires. Accordingly, provincial expenditures on fixed assets are treated as non-recoverable expenditures of each fiscal year and are carried at a nominal value."

In keeping with this basis, the Statement of Assets and Liabilities includes only those assets and liabilities resulting from cash transactions and which are deemed to affect Net Debt. Memorandum records of certain other assets and liabilities are maintained for internal control purposes. The memorandum accounts for Accounts Receivable; Equipment, Stores, Livestock and Materials; and Accounts Payable at March 31, 1973 are shown in Volume 1 of the Public Accounts for 1972-73 on pages 53-54.

6. A summary of assets and liabilities at March 31, 1973, with comparable figures for the preceding year, is presented below:

	<i>March 31, 1973</i>	<i>March 31, 1972</i>
<b>ASSETS</b>		
	\$	\$
Cash and Temporary Investments.....	952,511,764	643,986,076
Advances to Commission.....	1,293,115,508	1,358,270,421
Advances and Investments—		
Crown Corporations.....	2,820,894,107	2,457,024,377
Investments in Water Treatment		
and Waste Control Facilities.....	305,734,756	
Loans to Municipalities.....	197,250,944	164,036,060
Other Loans and Investments.....	213,705,190	190,917,714
Fixed Assets.....	1	1
Inactive Assets.....	4,395,861	4,346,270
<b>Total Assets.....</b>	<b>5,787,608,131</b>	<b>4,818,580,919</b>
<b>Less: Reserve for Inactive Assets.....</b>	<b>4,350,546</b>	<b>4,300,955</b>
<b>Net Realizable Assets.....</b>	<b>5,783,257,585</b>	<b>4,814,279,964</b>
<b>Net Debt.....</b>	<b>2,522,043,433</b>	<b>2,153,538,713</b>
	<u>8,305,301,018</u>	<u>6,967,818,677</u>

<b>LIABILITIES</b>		
	\$	\$
Demand Deposits with the		
Province of Ontario Savings Office.....	159,303,559	146,039,429
Pension Funds.....	595,723,992	508,057,177
Deposit, Trust and Reserve Accounts.....	95,179,184	56,317,538
Unmatured Debt.....	7,455,094,283	6,257,404,533
	<u>8,305,301,018</u>	<u>6,967,818,677</u>
<b>Contingent Liabilities.....</b>	<b>3,029,872,372</b>	<b>2,780,740,101</b>

7. **Cash and Temporary Investments.** The balances included under this heading, with comparable balances for the preceding year, were:

	<i>March 31, 1973</i>	<i>March 31, 1972</i>
	\$	\$
Cash—Time Deposits.....	999,333,315	839,091,213
Bank Overdrafts.....	162,877,936	259,017,271
	<u>836,455,379</u>	<u>580,073,942</u>
Temporary Investments.....	116,056,385	63,912,134
	<u>952,511,764</u>	<u>643,986,076</u>

Time Deposits are amounts placed on deposit with chartered banks with contracted interest rates and maturity dates. They are recorded at cost in Canadian funds at the dates of deposit.

Changes in Time Deposits during the year 1972-73 were as follows:

	\$	\$
Time Deposits at beginning of year.....		839,091,213
Deposits.....	1,696,644,786	
Maturities.....	<u>1,536,402,684</u>	<u>160,242,102</u>
Time Deposits at end of year.....		<u>999,333,315</u>

The above deposit and maturity activity does not include the renewal activity of more than \$1 billion in Time Deposits in United States dollars which matured and were renewed during the year. The only entry in the account for a renewed contract is to record the interest on the contract.

Losses or gains on foreign exchange may occur when Time Deposits in United States dollars are converted to Canadian funds. During the year ended March 31, 1973 losses on foreign exchange on conversion to Canadian funds, of Time Deposits in United States dollars with a book value of \$218,372,262, amounted to \$14,583-460. These losses were charged against interest received on Time Deposits as shown in the Statement of Interest, Exchange and Discount appearing on page 26 of Volume 1 of the Public Accounts for 1972-73. The market value in Canadian funds of the Time Deposits of \$999,333,315 at March 31, 1973 was \$968,790,899 or \$30,542,416 less than the book value.

The substantial bank overdrafts, as shown by the books of the Province, resulted mainly from cheques dated March 31, 1973 issued during April 1973 for expenditures charged to appropriations for the year ended March 31, 1973 in accordance with the authority therefore provided by statute. The amounts actually on deposit, as shown by letters of confirmation received direct from the depositaries, totalled more than \$30 million at March 31, 1973. Deductions of outstanding cheques and allowances for adjustments resulted in a net overdraft of \$162,877,936. For comments on bank reconciliations see section 75.

Temporary Investments, in addition to Time Deposits, were made to obtain income on funds surplus to current requirements. Changes in these investments during the year, as reported on page 36 of Volume 1 of the Public Accounts for 1972-73, were as follows:

	\$	\$
Temporary Investments at beginning of year.....		81,992,634
Acquired from Ontario Water Resources Commission, April 1, 1972.....		<u>27,450,321</u>
		109,442,955
Purchases.....	1,164,333,462	
Sales.....	<u>1,129,582,032</u>	<u>34,751,430</u>
		144,194,385
Less: Ontario Debentures.....		<u>28,138,000</u>
Temporary Investments at end of year.....		<u>116,056,385</u>

The par value of Temporary Investments held at March 31, 1973, exclusive of Ontario debentures, are classified as follows:

	\$
Government of Canada	
Direct and Guaranteed Securities.....	23,863,000
Provinces of Canada	
Direct and Guaranteed Securities.....	51,972,000
Chartered Banks	
Deposit Notes and Acceptances.....	42,475,000
	<u>118,310,000</u>

Ontario debentures in the amount of \$28,138,000, held as investments at March 31, 1973, were deducted from the debenture liability on the Statement of Assets and Liabilities. Transactions in these debentures during the year were as follows:

	\$	\$
Ontario Debentures held as Investments		
at beginning of year.....		18,080,500
Acquired from Ontario Water Resources		
Commission—April 1, 1972.....		6,340,000
		<u>24,420,500</u>
Purchases.....	17,429,000	
Sales.....	(12,093,000)	
Maturities and cancellations.....	(1,618,500)	3,717,500
Ontario Debentures held as Investments		
at end of year.....		<u>28,138,000</u>

8. **Advances to Commissions.** These advances at March 31, 1973, with comparable balances at March 31, 1972, were:

	March 31, 1973	March 31, 1972
	\$	\$
The Hydro-Electric Power Commission of Ontario		
Secured by Bonds.....	1,159,025,000	1,005,317,000
Unsecured.....	103,282,573	84,146,349
	<u>1,262,307,573</u>	<u>1,089,463,349</u>
Ontario Northland Transportation Commission.....	30,207,935	30,207,935
The Crop Insurance Commission of Ontario.....	600,000	—
Ontario Water Resources Commission.....	—	238,599,137
	<u>1,293,115,508</u>	<u>1,358,270,421</u>

Financial Statements of these Commissions are shown in Volume 2 of the Public Accounts for 1972-73.

Advances, secured by bonds, are made to The Hydro-Electric Power Commission of Ontario from the proceeds of debentures issued by the Province of Ontario for that purpose under authority of The Power Commission Act. During the year advances of \$200,000,000 were made to and repayments of \$46,292,000



were received from the Commission, leaving a balance of \$1,159,025,000 outstanding at March 31, 1973. As security for the advances, the Province holds bonds of the Commission for the principal amount with the same interest rate and terms as the related Province of Ontario debentures.

Unsecured advances in the amount of \$23,700,000 were made to the Commission during the year, representing the Province's share of the capital cost of the first two units of a nuclear powered generating station at Pickering. The units are now substantially completed. Repayments of \$4,563,776 were received during the year, leaving the balance of \$103,282,573 outstanding at March 31, 1973.

The advances to the Ontario Northland Transportation Commission were made to provide funds for construction and equipment. These advances are non-interest bearing as provided for by an Order in Council dated April 22, 1936.

The interest bearing advance to The Crop Insurance Commission of Ontario of \$600,000 was made during the year to provide funds to meet current claims. At the same time the Commission had on deposit with the Treasurer of Ontario in Deposit and Trust Accounts an amount of \$58,053 at March 31, 1973.

The Ontario Water Resources Commission was dissolved as at April 1, 1972 as part of the restructuring of government operations. The assets and liabilities of the Commission were consolidated with those of the Province on that date.

**9. Advances and Investments—Crown Corporations.** The balances included under this heading, with comparable balances for the preceding year, were:

	<i>March 31, 1973</i>	<i>March 31, 1972</i>
	\$	\$
The Ontario Universities		
Capital Aid Corporation.....	1,120,458,197	989,562,740
The Ontario Education Capital		
Aid Corporation.....	1,100,774,057	1,011,392,449
Ontario Housing Corporation.....	221,183,063	154,763,401
Housing Corporation Limited.....	204,092,000	142,590,000
The Ontario Junior Farmer		
Establishment Loan Corporation.....	79,834,538	85,269,606
Ontario Development Corporation.....	52,703,133	45,210,352
The Ontario Municipal Improvement		
Corporation.....	27,763,714	22,938,714
Ontario Student Housing Corporation.....	6,944,400	4,435,400
Northern Ontario Development Corporation.....	4,958,005	861,715
Ontario Place Corporation.....	2,183,000	—
	<u>2,820,894,107</u>	<u>2,457,024,377</u>

Financial Statements of these Crown Corporations are shown in Volume 2 of the Public Accounts for 1972-73.

The Ontario Universities Capital Aid Corporation was established in 1964 with the object of purchasing bonds or debentures issued for approved capital construction projects by universities, colleges, Art Gallery of Ontario and The Royal Ontario Museum.



The advances are repayable to the Province in the same amounts as the yearly instalments become due on the debentures purchased by the Corporation. Funds for the payment of principal instalments and interest on these debentures are provided through grants made by the Province. During the year under review \$146,978,200 was advanced to the Corporation and \$16,082,743 was repaid, leaving net advances of \$130,895,457 for the year.

The Ontario Education Capital Aid Corporation was established in 1966 with the object of purchasing from municipalities debentures issued by them for school board undertakings, public library purposes and grants to associations constituted for the promotion of the welfare and education of retarded children.

Advances of \$126,497,000 were made to the Corporation during the year and repayments of \$37,115,392 were received, leaving net advances of \$89,381,608 for the year.

Ontario Housing Corporation, established in 1964, co-ordinates the development and management of residential accommodation in Ontario that is financed out of public funds.

Advances in the net amount of \$66,419,662 were made to the Corporation during the year, leaving a balance of \$221,183,063 outstanding at March 31, 1973. This balance is made up of advances of \$171,883,313 to December 31, 1972 as shown by the balance sheet of the Corporation and net advances of \$49,299,750 made to the Corporation between January 1, 1973 and March 31, 1973. For further comment see section 134.

Housing Corporation Limited assists in home ownership by providing first and second mortgages to purchasers of new dwellings.

Advances of \$62,536,000 were made to the Corporation during the year and repayments of \$1,034,000 were received, leaving net advances of \$61,502,000 for the year. For further comment see section 126.

The Ontario Junior Farmer Establishment Loan Corporation, in February 1969, discontinued its program of making loans to assist young qualified farmers in the establishment, development and operation of their farms.

Repayments of advances of \$5,435,067 were received during the year leaving the balance of \$79,834,538 outstanding at March 31, 1973.

Ontario Development Corporation was established in 1966 with the objects of encouraging and assisting in the development and diversification of industry in Ontario.

This asset consists of an investment of \$7,000,000 and advances of \$45,703,133. The investment of \$7,000,000 is the cost of all 7,000 shares, each with a par value of \$1,000, authorized and issued by the Corporation. The advances of \$45,703,133, an increase of \$7,492,781 over the previous year, consist of interest bearing advances of \$10,797,439 and non-interest bearing advances of \$34,905,694 including those made under the Equalization of Industrial Opportunity Programme and for Industrial Parks.

The Ontario Municipal Improvement Corporation, incorporated in 1950, has as its object the purchase from municipalities of debentures issued by them for municipal works and undertakings.

During the year advances of \$4,825,000 were made to the Corporation, leaving a balance of \$27,763,714 outstanding at March 31, 1973.

Ontario Student Housing Corporation was established in 1966 for the purpose of developing housing projects for students and their families.

Net advances of \$2,509,000 were made to the Corporation during the year, leaving a balance of \$6,944,400 outstanding at March 31, 1973. This balance is made up of advances of \$4,435,400 to December 31, 1972 as shown by the balance sheet of the Corporation and net advances of \$2,509,000 made by the Treasurer of Ontario between January 1, 1973 and March 31, 1973. For further comment see section 136.

Northern Ontario Development Corporation was established in 1971 with the objects of encouraging and assisting in the development and diversification of industry in Northern Ontario.

The balance of \$4,958,005, an increase of \$4,096,290 over the previous year, consists of interest bearing advances of \$3,464,482 and non-interest bearing forgivable performance loans of \$1,493,523. For further comment see section 131.

Ontario Place Corporation was established in 1972 to operate Ontario Place as a Provincial exhibit and recreational centre and to develop projects and programs of general advantage to the people and to the Province of Ontario.

The advances of \$2,183,000 outstanding at March 31, 1973 were made to the Corporation during the year. For further comment see section 135.

**10. Investments in Water Treatment and Waste Control Facilities.** This asset is the investment in Provincially-owned water treatment and waste control facilities constructed in various Ontario municipalities.

In previous years, these investments were recorded in the books of the Ontario Water Resources Commission. The Commission had let extensive contracts for the building of water and sewage systems to serve municipalities. Costs of construction and operations of the programs are recoverable in accordance with agreements. As part of the restructuring of Government operations in April 1972, the Commission was dissolved and its former functions are carried on as a responsibility of the Ministry of the Environment.

The investment transferred from the Commission on April 1, 1972, was \$230,309,709. During the year additional investments of \$77,975,891 were made and recoveries of \$2,550,844 were received, leaving a balance of \$305,734,756 at March 31, 1973.

**11. Loans to Municipalities.** The balances included under this heading, with comparable balances for the preceding year, were:

	March 31, 1973	March 31, 1972
	\$	\$
Sundry Municipalities re		
The Municipal Works Assistance Act.....	78,993,903	83,025,430
The Municipality of Metropolitan Toronto.....	51,497,000	52,740,000
Sundry Municipalities re		
Water Treatment and		
Waste Control Facilities.....	32,161,104	—
Tile Drainage.....	24,419,861	22,796,076
Federal-Provincial Special		
Development Loans.....	3,410,637	—
Township of Elliot Lake.....	2,884,400	3,135,900
Federal-Provincial Employment Loans.....	1,724,908	—
Town of Kapuskasing.....	1,451,976	1,492,610
City of Windsor.....	348,555	414,244
Improvement District of Manitouwadge.....	227,300	292,500
The Moosonee Development Area Board.....	126,000	129,000
Township of Atikokan.....	5,300	10,300
	<u>197,250,944</u>	<u>164,036,060</u>

The amount owing from sundry municipalities under The Municipal Works Assistance Act is the balance outstanding on loans made to municipalities for certain municipal projects. The loans are secured by debentures and are repayable over a twenty or thirty year period ending in 1998. Repayments of \$4,031,527 were received during the year leaving a balance of \$78,993,903 outstanding at March 31, 1973.

The amount of \$51,497,000 owing by The Municipality of Metropolitan Toronto is the balance outstanding on debentures issued for subway purposes. Annual payments on principal are required over the period ending in 1995. Payments of \$1,243,000 were received during the year.

The amount owing by sundry municipalities re water treatment and waste control facilities is the total of the balances outstanding on loans made for construction of municipally-owned projects. As indicated previously, the Ontario Water Resources Commission was dissolved as of April 1, 1972 and its former functions are carried on as a responsibility of the Ministry of the Environment. The loans transferred from the Commission on April 1, 1972 were \$31,064,767. During the year additional loans of \$2,429,816 were made and repayments of \$1,333,479 were received leaving a balance of \$32,161,104 outstanding at March 31, 1973.

The Tile Drainage Act authorizes the Treasurer of Ontario to purchase, acquire and hold debentures issued by municipalities for construction of drainage works. These debentures are payable within ten years of the date of the debentures. During the year purchases of \$4,711,300 were made and redemptions of \$3,087,515 were received by the Treasurer of Ontario leaving the balance of \$24,419,861 owing from municipalities at March 31, 1973.

The Federal-Provincial Special Development Loans Program was introduced to assist in alleviating the problem of unemployment by bringing about an increase in capital spending and related employment. Under this Program the



Government of Canada made funds available to the Province to finance capital projects additional to those previously planned for construction in 1970-71 or 1971-72.

During the year ended March 31, 1973 disbursements to municipalities of \$3,410,637 were made. For further comment see section 81.

The amount owing by the Township of Elliot Lake is the balance outstanding on debentures issued for stabilization of municipal taxes and other municipal purposes. These debentures are repayable over a period of years with final maturity in 1984. Repayments of \$251,500 were received during the year.

The objective of the Federal-Provincial Employment Loans Program was to stimulate growth in employment, particularly in the winter of 1971-72, by adding to or accelerating municipal capital projects. Loans to municipalities for this purpose in the amount of \$1,724,908 were made during the year. For further comments see section 82.

The Town of Kapuskasing debentures held by the Province of Ontario are repayable over a number of years ending in 1994. The required repayment of \$40,633 was received during the year.

The debentures of the City of Windsor, Improvement District of Manitouwadge, The Moosonee Development Area Board and the Township of Atikokan were issued for various municipal projects and services. The required repayments were received during the year.

**12. Other Loans and Investments.** The balances included under this heading, with comparable balances for the preceding year, were:

	March 31, 1973	March 31, 1972
	\$	\$
Public Hospitals.....	171,984,981	149,114,452
Liquor Control Board of Ontario.....	25,074,515	25,074,515
The Sault Ste. Marie Bridge Act.....	7,616,442	7,616,442
Sandwich, Windsor and Amherstburg Railway Company.....	2,350,000	2,400,000
Municipal and School Tax Credit Assistance.....	2,088,564	1,732,075
Sundry Co-operative Associations.....	2,010,899	2,350,768
Provincial Student-Aid Loans.....	932,577	1,286,739
The Fisheries Loans Act.....	897,662	752,580
Sundry Conservation Authorities.....	475,868	590,143
Sundry Loans and Investments.....	273,682	—
	<u>213,705,190</u>	<u>190,917,714</u>

The amount owing by public hospitals is the balance of advances made under authority of The Public Hospitals Act. During the year, advances of \$31,500,000 were made and repayments of \$8,629,472 were received, leaving the balance of \$171,984,981 outstanding at March 31, 1973.

The investment in the Liquor Control Board of Ontario did not change during the year.

The investment under The Sault Ste. Marie Bridge Act consists of bonds of the International Bridge Authority of Michigan in the amount of \$7,615,072 and shares of the St. Mary's River Bridge Company in the amount of \$1,370. There was no change in the investment during the year.

The International Bridge Authority of Michigan bonds, with a par value of \$7,850,000 were acquired in 1960 at a cost of \$7,615,072. These bonds, due September 1, 2000, bear interest at the rate of 6% per annum but under the terms of the agreement interest is payable only as funds are available from operations. During the year payments of \$318,170 were received from the Trustee on account of interest accruing in the amount of \$471,000 annually. The accumulated balance of interest remaining unpaid at March 31, 1973 was \$4,696,270.

The investment in the St. Mary's River Bridge Company is the cost of 137 shares purchased by the Province.

The Sandwich, Windsor and Amherstburg Railway Company balance of \$2,350,000 consists of 2% bonds in the amount of \$250,000 due June 30, 1973-77 and 3% bonds in the amount of \$2,100,000 due April 1, 1980. A special Sinking Fund to meet this latter maturity is held by the Treasurer of Ontario in Deposit and Trust Accounts. The Sinking Fund, on which interest is payable semi-annually, had accumulated to \$1,879,919 at March 31, 1973.

Reimbursements to municipalities for credits and refunds allowed in accordance with the provisions of The Municipal and School Tax Credit Assistance Act amounted to \$553,837 during the year. Repayments of \$197,348 were received leaving a balance of \$2,088,564 outstanding at March 31, 1973. The loans are secured by liens against the property concerned.

The Co-operative Loans Act authorizes the Lieutenant Governor in Council to make loans to any co-operative association to enable it to carry out its objects. The loans are secured by a first mortgage on the real property of the co-operative association and are repayable over a period of twenty years. During the year loans of \$37,500 were made and repayments of \$377,369 were received, leaving a balance of \$2,010,899 outstanding at March 31, 1973. Included in the balance of \$2,010,899 is an uncollectable amount of \$6,000 resulting from the sale of a co-operative association for nonpayment of municipal taxes. Approval has been sought to write off this principal balance of \$6,000 and unpaid interest of approximately \$8,800. For further comment see section 92.

The balance of \$932,577 under Provincial Student-Aid Loans is the amount owing on 3,661 loans at March 31, 1973. The balance includes \$370,950 from 722 borrowers who are in arrears and whose accounts have been transferred to the Central Collection Services of the Ministry of Government Services for collection.

The accounts transferred to the Central Collection Services include 71 accounts in the amount of \$22,941 which are deemed uncollectable. Authority was given by Orders in Council to delete \$14,413 from the accounts in 1971-72 and \$8,528 from the accounts in 1972-73 but the necessary accounting entries had not been made as at March 31, 1973.



During the year repayments of \$354,162 were received, including the repayment of 356 loans in full.

Loans under The Fisheries Loans Act are made to persons carrying on the business of commercial fishing or any other business dependent in whole or in part on the taking of fish from waters in which such taking has been prohibited by reasons of the contamination of fish resulting from pollution of the waters.

Loans in the amount of \$145,082 were made during the year, leaving a balance of \$897,662 outstanding at March 31, 1973. These loans are secured by promissory notes payable on demand and bearing interest after demand. For further comment see section 103.

The balance owing by sundry conservation authorities is the recoverable portion of grants made for land acquisition and construction of dams and reservoirs. During the year repayments of \$114,275 were received, leaving a balance of \$475,868 outstanding at March 31, 1973.

Sundry loans and investments consist of recoverable amounts pertaining to the operations of water treatment and waste control facilities. The balance of \$273,682 is made up of \$153,068 acquired on dissolution of the Ontario Water Resources Commission on April 1, 1972 and disbursements of \$120,613 made during the year.

**13. Fixed Assets.** Expenditures on fixed assets are treated as general expenditures of each fiscal year and are shown in the STATEMENT OF ASSETS AND LIABILITIES at a nominal value of one dollar.

**14. Inactive Assets.** The balances included under this heading are Government of Canada \$4,350,546 and Settlers' Loans \$45,315.

The Government of Canada account, consisting of Debt Account \$2,848,290 and Common School Fund \$1,502,256, was reviewed by the Standing Committee on Public Accounts during its meetings of last year.

Under the British North America Act, 1867, the Government of Canada assumed the debt of the old Province of Canada (Ontario and Quebec). Interest at the rate of 5% per annum was to be paid to the Government of Canada by Ontario and Quebec on any debt in excess of \$62,500,000. The excess debt was apportioned five-ninths to Ontario and four-ninths to Quebec.

For five and one-half years, from July 1, 1867 to January 1, 1873 the Government of Canada, when paying subsidy based on population, withheld interest at 5% per annum on the debt in excess of \$62,500,000. In the case of Ontario this amounted to \$291,667 annually and represented interest on \$5,833,333.

Under 36 Victoria, Cap. 30, 1873 the excess debt of Ontario and Quebec was deemed to be properly assumed by the Government of Canada. Commencing July 1, 1873 the Provinces of Ontario and Quebec received full subsidy based on population, free from any interest deduction for excess debt.

In 1884 under 47 Victoria, Cap. 4, an adjustment was made in the annual subsidy to compensate the Province of Ontario for the interest on the excess debt which had been withheld during the five and one-half years from July 1, 1867 to January 1, 1873. The amounts withheld, together with interest to July 1, 1884 were, in effect, capitalized and on this amount of \$2,848,290 the Government of Canada pays Ontario interest at the rate of 5% per annum. This interest is paid semi-annually on January 1, and July 1 each year and has been received for the year ended March 31, 1973 in the amount of \$142,415.

The Common School Fund represents the present interest of Ontario in a permanent fund of \$2,677,771 held in trust by the Government of Canada for the Provinces of Ontario and Quebec. The fund is derived from the sale of Crown lands set aside for the benefit of common schools by statutes enacted before Confederation. The total has not changed since March 31, 1942. The Government of Canada pays interest to the Provinces on the principal sum at the rate of 5% per annum, payable semi-annually, in proportion to their respective populations as determined by the most recent decennial census. The present basis for allocation is the census of 1971. Interest in the amount of \$77,592 has been received for the year ended March 31, 1973.

No repayments on behalf of Settlers' Loans were received during the year. Recovery of this asset is doubtful. For further comment see section 83.

**15. Reserve for Inactive Assets.** A reserve for the full amount of the Government of Canada account has been provided since the present agreement does not call for liquidation of the principal amount.

**16. Net Debt.** The Net Debt of the Province increased by an amount of \$368,504,719 during the year consisting of the budgetary deficit for the year of \$365,743,054 and the deficit of Ontario Water Resources Commission of \$2,761,665 assumed on the takeover of the Commission assets and liabilities on April 1, 1972. The increase of \$368,504,719 is reflected in the accounts by an increase in the liability for Unmatured Debt of \$1,197,689,750 and other liabilities of \$139,792,590 less an increase in Net Realizable Assets of \$968,977,621.

**17. Demand Deposits with the Province of Ontario Savings Office.** This liability, with comparable balances at the end of the preceding year, was made up of:

	<i>March 31, 1973</i>	<i>March 31, 1972</i>
	\$	\$
Current Balances.....	159,142,307	145,884,998
Unclaimed Balances.....	161,252	154,431
	<u>159,303,559</u>	<u>146,039,429</u>

These deposits are carried in twenty-one branches of the Savings Office throughout the Province. For further comment see section 138.

**18. Pension Funds.** The balances included under this heading, with comparable balances at the end of the preceding year, were:

	<i>March 31, 1973</i>	<i>March 31, 1972</i>
	\$	\$
Public Service Superannuation Fund.....	594,082,829	506,489,142
Legislative Assembly Retirement Allowances Account.....	1,641,163	1,568,035
	<u>595,723,992</u>	<u>508,057,177</u>

The Public Service Superannuation Fund increased by a net amount of \$87,593,687 as a result of receipts of \$118,514,899 less disbursements of \$30,921,212. Comments on the unfunded liability of the Fund are made under section 139 of this Report. A statement of the Fund is shown in Volume 1 of the Public Accounts for 1972-73 on pages 38-39.

The balance in the Legislative Assembly Retirement Allowances Account is on deposit with the Treasurer of Ontario. During the year receipts of \$295,853 were deposited in the Account and disbursements of \$222,725 were made from the Account, leaving a balance of \$1,641,163 at March 31, 1973. For further comments see section 129. A statement of the Account is shown in Volume 1 of the Public Accounts for 1972-73 on page 40.

**19. Deposit, Trust and Reserve Accounts.** A summary of these accounts, with comparable balances at the end of the preceding year, follows:

	<i>March 31, 1973</i>	<i>March 31, 1972</i>
	\$	\$
Deposit and Trust Accounts.....	90,871,048	52,718,635
Reserves.....	3,855,226	3,047,371
Miscellaneous.....	452,910	551,532
	<u>95,179,184</u>	<u>56,317,538</u>

A listing of Deposit and Trust Accounts is shown in Volume 1 of the Public Accounts for 1972-73 on page 18. The increase of \$38,861,646 in these accounts during the year is due mainly to the addition of the Ministry of the Environment accounts resulting from the dissolution of the Ontario Water Resources Commission on April 1, 1972.

Details of Reserves are shown in Volume 1 of the Public Accounts for 1972-73 on pages 18-19.

The Miscellaneous item consists of a balance of \$259,669 outstanding on the mortgage assumed on acquisition of the property at 880 Bay Street, Toronto, and a balance of \$193,241 owing to the Government of Canada representing its contribution of 50% of loans made to fishermen by the Province in 1970-71 under The Fisheries Loans Act. The latter amount is repayable as recoveries are made from the fishermen.

**20. Unmatured Debt.** The balances included under this heading, with comparable balances at the end of the preceding year, were:

	<i>March 31, 1973</i>	<i>March 31, 1972</i>
	\$	\$
Debentures.....	7,172,662,861	6,079,830,534
Less: Held as Investments by the Province.....	28,138,000	18,080,500
	<u>7,144,524,861</u>	<u>6,061,750,034</u>
Treasury Bills.....	260,000,000	190,000,000
Federal-Provincial Employment Loans.....	26,466,669	
Central Mortgage and Housing Corporation— Waste Control Loans.....	24,102,753	
Federal-Provincial Special Development Loans.....		5,654,499
	<u>7,455,094,283</u>	<u>6,257,404,533</u>

Changes in the Debenture and Treasury Bill liability during the year 1972-73 were as follows:

	<i>Debentures</i>	<i>Treasury Bills</i>
	\$	\$
Balance at beginning of year.....	6,079,830,534	190,000,000
Liability of Ontario Water Resources Commission Assumed April 1, 1972.....	17,980,898	
	<u>6,097,811,432</u>	<u>190,000,000</u>
Issued During Year.....	1,183,000,885	930,000,000
	<u>7,280,812,317</u>	<u>1,120,000,000</u>
Redeemed During Year.....	108,149,456	860,000,000
	<u>7,172,662,861</u>	<u>260,000,000</u>
Less: Held as Investments.....	28,138,000	
Balance in Hands of the Public at end of year.....	<u>7,144,524,861</u>	<u>260,000,000</u>

The Debenture liability in the hands of the public was payable as follows:

	\$
In—Canadian Dollars.....	5,792,939,839
United States Dollars.....	1,216,637,000
Deutsche Marks.....	134,948,022
	<u>7,144,524,861</u>



The indebtedness payable in United States Dollars is expressed in Canadian funds at par and that payable in Deutsche Marks is recorded at the rate of exchange in effect at the time of issue. At March 31, 1973 the Canadian Dollar equivalent of the liability payable in Deutsche Marks was \$172,583,949 or \$37,635,927 more than the recorded liability of \$134,948,022. In this connection \$40,050,000 of the recorded liability (loan ED) was retired on August 1, 1973. This retirement was met by purchases of 150,000,000 Deutsche Marks during the period June 26, 1973 to July 6, 1973. The cost of the 150,000,000 Deutsche Marks was \$62,017,181 or \$21,967,181 more than the recorded liability of \$40,050,000 at March 31, 1973.

The Federal-Provincial Employment Loans liability of \$26,466,669 is the amount borrowed under a program to stimulate growth in employment by adding to or accelerating municipal capital projects. For further comment see section 82.

The liability to Central Mortgage and Housing Corporation is the balance owing on advances received on Provincial water and sewage programs completed or under construction. The balance consists of a liability of \$7,731,897 assumed on dissolution of the Ontario Water Resources Commission on April 1, 1972 and advances of \$16,370,856 received during the year.

The balance owing on Federal-Provincial Special Development Loans from the previous year was replaced by debenture issue during the year and is included in debenture liability at March 31, 1973.

**21. Contingent Liabilities.** Contingent liabilities, with comparable amounts for the preceding year, were:

	<i>March 31, 1973</i>	<i>March 31, 1972</i>
	\$	\$
Bonds, etc., guaranteed by the		
Province of Ontario.....	3,069,536,372	2,793,480,101
Less: held as investments.....	39,664,000	12,740,000
	<u>3,029,872,372</u>	<u>2,780,740,101</u>

Details of contingent liabilities are shown in Volume 1 of the Public Accounts for 1972-73 on pages 48-51.



## SUMMARY OF REVENUE AND EXPENDITURE

22. Statements of the Consolidated Revenue Fund; Revenue and Expenditure; and Non-Budgetary Transactions for the fiscal year ended March 31, 1973, as shown in Volume 1 of the Public Accounts, are reproduced as Exhibits 2, 3 and 4 to this Report.

23. The Statement of Revenue and Expenditure shows revenue of \$6,114,599,006 and expenditure of \$6,480,342,060 resulting in a Budgetary Deficit of \$365,743,054 for the year. This deficit is \$153,447,801 less than the deficit of \$519,190,855 for the preceding year.

24. The Statement of Non-Budgetary Transactions shows Receipts and Credits of \$314,197,394 and Disbursements and Charges of \$842,251,607, resulting in an additional cash requirement of \$528,054,213 for these transactions. The comparable requirement for the preceding year was \$548,475,864, a decrease of \$20,421,651.

## REVENUE

25. A summary of revenue by source, with comparable amounts for the preceding year, is as follows:

	<i>March 31, 1973</i>	<i>March 31, 1972</i>	<i>Increase (Decrease)</i>
	\$	\$	\$
Taxation.....	3,413,707,489	2,901,147,022	512,560,467
Reimbursements of Expenditures.....	1,295,255,825	775,095,591	520,160,234
Premiums.....	519,923,395	298,850,606	221,072,789
Government of Canada.....	272,192,702	204,385,027	67,807,675
Profits from Trading Activities.....	254,000,000	219,744,108	34,255,892
Fees, Licences and Permits.....	250,640,683	210,991,999	39,648,684
Fines and Penalties.....	33,499,100	30,459,088	3,040,012
Royalties.....	26,437,583	24,745,297	1,692,286
Facilities.....	15,603,762	14,195,394	1,408,368
Recovery of Prior Years'			
Expenditures.....	9,607,398	6,643,858	2,963,540
Sales—Other.....	8,124,167	8,652,032	(527,865)
Sales—Land and Buildings.....	3,930,669	2,965,259	965,410
Public Domain.....	1,821,157	1,433,193	387,964
Miscellaneous.....	9,855,076	4,504,693	5,350,383
	<u>6,114,599,006</u>	<u>4,703,813,167</u>	<u>1,410,785,839</u>

**26. Taxation.** Tax revenue of \$3,413,707,489 accounted for 55.8 per cent of the total revenue for the year. The main taxes included in this total, with comparable amounts for the preceding year, were:

	March 31, 1973	March 31, 1972
	\$	\$
Personal Income Tax.....	1,204,946,907	1,022,110,847
Retail Sales Tax.....	895,258,265	758,700,145
Corporations Tax.....	526,758,184	432,854,435
Gasoline Tax.....	426,651,581	395,910,812
Other.....	360,092,552	291,570,783
	<u>3,413,707,489</u>	<u>2,901,147,022</u>

The four taxes shown above provided \$444,038,698 of the increase of \$512,560,467 in tax revenue for the year.

**27. Reimbursements of Expenditures.** Reimbursements of Expenditures are recoveries of current year's expenditures made by the Province on behalf of others. The recoveries are mainly from cost-sharing projects with the Government of Canada but also include cost-sharing projects with other Governments, public debt transactions and statutory recoveries. The main items of recovery for the year were from the Government of Canada under the Hospital Insurance and Diagnostic Services Act \$475,289,846, the Medical Care Act \$209,842,371 and the Canada Assistance Plan \$204,474,247; and from public debt transactions for interest, exchange and discount \$300,419,655.

The recovery under the Hospital Insurance and Diagnostic Services Act for hospital services includes contributions for hospital insurance previously received by the Ontario Hospital Services Commission. Effective April 1, 1972 the Ministry of Health took over the direct administration of the Ontario Hospital Insurance Plan previously administered by the Commission. All revenue and expenditure of the former Commission are now included in the revenue and expenditure of the Province.

**28. Premiums.** This source of revenue consists of the premiums under the Ontario Health Insurance Plan. The increase in revenue for the year resulted from hospital insurance plan premiums which were previously received by the Ontario Hospital Services Commission.

**29. Government of Canada.** This category included the Post-Secondary Education Adjustment Payment of \$161,744,004, and recoveries of prior years' expenditures under shared-cost programs and annual subsidies.

**30. Profits from Trading Activities.** This revenue was the profits of the Liquor Control Board of Ontario transferred to the Consolidated Revenue Fund during the year.

**31. Fees, Licences and Permits.** Vehicle, driver and other fees, licences and permits of the Ministry of Transportation and Communications were the main sources of revenue under this heading and amounted to \$190,435,731 for the year.

**32. Fines and Penalties.** Fines and penalties of \$32,552,469 levied by the Criminal Division of Provincial Courts were the main sources of revenue for the year.

**33. Royalties.** Revenue under this heading included timber stumpage charges \$13,189,265, charges for water power used in generating energy \$10,268,909, and timber management and forest protection charges \$2,046,715.

**34. Facilities.** This account includes revenue from property rentals; parking; patients' maintenance, board; etc. The main sources of revenue for the year were patients' maintenance payments \$7,384,061, service centre rentals \$2,441,547 and property rentals \$1,839,241.

**35. Recovery of Prior Years' Expenditures.** Recovery of all prior years' expenditures other than cost sharing receipts from the Government of Canada are included in this category. The main item of recovery during the year was the recovery of \$2,502,000 from the Ontario Hospital Services Commission re drawings for 1971-72. For further comment see section 119.

**36. Sales—Other.** Sales of manufactured goods, produce and livestock by correctional institutions in the amount of \$3,134,544 were the principal items included under this heading.

**37. Sales—Land and Buildings.** Revenue from the sale of surplus land and buildings is shown in this account.

**38. Public Domain.** This revenue is derived from the leasing and licensing of Crown lands, gas and mining leases, etc.

**39. Miscellaneous.** The main item included in this account was the surplus funds of the Public Trustee in the amount of \$8,533,145 transferred to the Consolidated Revenue Fund.

## EXPENDITURE

**40.** Payments out of the Consolidated Revenue Fund are classified as General Expenditure or Disbursements and Charges. General expenditure relates to operational activities including purchase of fixed assets. Disbursements are payments made in respect of loans and advances. Charges are payments made from pension funds, deposit, trust and reserve accounts.

41. A comparison of expenditure estimates with actual expenditure for the fiscal year ended March 31, 1973 is as follows:

	<i>General Expenditure</i>	<i>Disbursements and Charges</i>	<i>Total</i>
	\$	\$	\$
Estimates—Original.....	6,363,740,600	707,672,400	7,071,413,000
—Supplementary.....	140,890,500	64,684,000	205,574,500
	<u>6,504,631,100</u>	<u>772,356,400</u>	<u>7,276,987,500</u>
Actual.....	6,480,342,060	842,251,607	7,322,593,667
	<u>6,480,342,060</u>	<u>842,251,607</u>	<u>7,322,593,667</u>
Actual over Estimates.....	(24,289,040)	69,895,207	45,606,167
	<u>(24,289,040)</u>	<u>69,895,207</u>	<u>45,606,167</u>

As indicated above, the total actual expenditure for the year was \$45,606,167 more than the total amount shown by the Estimates.

42. Excluding expenditures under Statutory Authority and Special Warrants the following summary compares the actual voted expenditure with the amount authorized by the Legislative Assembly:

	<i>Authorized</i>	<i>Actual</i>	<i>Actual Under Authorized</i>
	\$	\$	\$
General Expenditures.....	5,982,667,600	5,928,315,115	54,352,485
Disbursements and Charges.....	348,124,400	286,927,447	61,196,953
	<u>6,330,792,000</u>	<u>6,215,242,562</u>	<u>115,549,438</u>

Although the actual voted expenditure was less than the amount authorized, the expenditure under certain votes and items exceeded the original appropriations. In these cases the necessary Management Board Orders were obtained authorizing the payments.

The amount expended under Management Board Orders was \$96,631,751 or 1.55 per cent of the actual voted expenditure. The comparable amount for the previous year was \$92,402,308 or 1.84 per cent of the actual voted expenditure.

43. The following summary compares, by Ministry, the General Expenditure for the fiscal year 1972-73 with that for the fiscal year 1971-72. The expenditures for 1971-72 have been restated to reflect the 1972-73 transfer of functions between Ministries and to include the total operations of the Ontario Hospital Services Commission.



<i>Ministry</i>	<i>1972-73</i>	<i>1971-72</i>	<i>Increase (Decrease)</i>
	\$	\$	\$
Office of the Lieutenant Governor.....✓	44,357	38,892	5,465
Office of the Premier.....	1,019,146	712,387	306,759
Cabinet Office.....	1,511,946	564,162	947,784
Management Board.....	2,893,172	2,301,456	591,716
Civil Service Commission.....	3,471,669	2,928,873	542,796
Office of Provincial Auditor.....	1,178,283	1,131,338	46,945
Government Services.....✓	165,794,296	168,767,490	(2,973,194)
Revenue.....✓	73,351,291	63,819,815	9,531,476
Treasury, Economics and Intergovernmental Affairs (including Public Debt).....	640,944,609	675,457,295	(34,512,686)
Attorney General.....	60,121,489	55,736,944	4,384,545
Consumer and Commercial Relations...	24,979,671	22,282,577	2,697,094
Correctional Services.....	72,935,354	67,199,454	5,735,900
Solicitor General.....✓	82,597,936	70,540,768	12,057,168
Agriculture and Food.....	96,529,149	97,517,378	(988,229)
Environment.....✓	37,193,698	24,932,593	12,261,105
Industry and Tourism.....	22,521,304	33,325,793	(10,804,489)
Labour.....	9,992,478	9,166,691	825,787
Natural Resources.....	138,797,387	125,779,967	13,017,420
Transportation and Communications...	597,581,625	597,086,998	494,627
Colleges and Universities.....	708,786,622	620,107,513	88,679,109
Community and Social Services.....	420,257,333	394,301,272	25,956,061
Education.....	1,316,214,394	1,201,516,686	114,697,708
Health.....✓	2,001,624,851	1,792,250,680	209,374,171
	<u>6,480,342,060</u>	<u>6,027,467,022</u>	<u>452,875,038</u>

14. Salaries and Wages and Employee Benefits were the main items of expenditure for the Office of the Lieutenant Governor; Office of the Premier; Cabinet Office; Management Board; Civil Service Commission; and Office of Provincial Auditor. These items accounted for most of the increase in expenditure of these Ministries over that of the previous year.

15. **Government Services.** Provision of Accommodation Program continued to be the main expenditure program, accounting for \$128,797,711 of the expenditures for the year.

16. **Revenue.** The increase of \$9,531,476 was due mainly to an increase in Assessment Field Service under the Municipal Assessment Program and to an increase in the Provincial share of Property Management Subsidies, Family and Senior Citizens Housing under the Ontario Housing Program.

17. **Treasury, Economics and Intergovernmental Affairs.** There was a decrease in expenditure of \$34,512,686 from the comparable amount for the preceding year. The principal items accounting for this decrease were the decrease of \$152,727,876 resulting from the revocation of the Main Benefit under The Residential Property Tax Reduction Act less an increase of \$96,352,711 in Public Debt interest payments on securities issued and other borrowings.



**48. Attorney General.** Courts Administration cost of \$32,921,085 was the main area of expenditure and accounted for most of the increase of \$4,384,545 for the year.

**49. Consumer and Commercial Relations.** The Commercial Standards Program and the Property Rights Program were the main areas of expenditure and accounted for most of the increase of \$2,697,094 for the year.

**50. Correctional Services.** The programs for the Rehabilitation of Adult Offenders and for the Rehabilitation of Juveniles were the main areas of expenditure and accounted for most of the increase of \$5,735,900 for the year.

**51. Solicitor General.** The increase of \$12,057,168 included increases of \$5,148,198 under the Traffic Law Enforcement Program and \$4,810,204 under the Criminal and General Law Enforcement Program.

**52. Agriculture and Food.** Transfer Payments of \$24,499,920 for Grants for Capital Purposes in Farm Development and \$18,094,895 under the Farm Tax Reduction Program were the main items of expenditure for the year.

**53. Environment.** Plant operating costs of \$9,398,597 accounted for most of the increase of \$12,261,105 for the year. In previous years these costs were included in the operations of the Ontario Water Resources Commission.

**54. Industry and Tourism.** The reduction of \$10,804,489 was due mainly to the transfer during the year of Ontario Place operations and development to Ontario Place Corporation.

**55. Labour.** There was little change in total expenditure from the preceding year.

**56. Natural Resources.** The increase of \$13,017,420 included increases of \$7,912,758 under the Land Management Program and \$2,504,877 under the Outdoor Recreation Program.

**57. Transportation and Communications.** The main areas of expenditure were the Construction Program \$377,736,800 and the Maintenance Program \$176,395,778 for King's Highways and municipal roads.

**58. Colleges and Universities.** Expenditure of \$676,220,974 under the Post-Secondary Education Support Program, including grants to universities and colleges, was the main area of expenditure and accounted for most of the increase of \$88,679,109.

The expenditure of \$708,786,622 was 10.9 per cent of the total general expenditure of the Province for the year.

**59. Community and Social Services.** The increase of \$25,956,061 for the year included an increase of \$21,539,987 in Residential Care and Services for Adults, an increase of \$6,036,111 in Day Nursery Services and a decrease of \$8,235,736 in Income Maintenance.

**60. Education.** Financial Assistance to School Authorities was the main item of expenditure and accounted for \$1,184,709,628 of the total expenditure of \$1,316,-214,394 by the Ministry.

The increase of \$114,697,708 in the Ministry's expenditure included an increase of \$156,330,666 in General Legislative Grants and a decrease of \$32,982,-218 in construction and equipment of additional vocational units for school boards, etc.

The expenditure of \$1,316,214,394 was 20.3 per cent of the total general expenditure of the Province for the year.

Expenditures on education by both the Ministry of Education and the Ministry of Colleges and Universities amounted to \$2,025,001,016 or 31.2 per cent of the total general expenditure for the year. The comparable figures for the preceding year, as restated, were expenditures of \$1,821,624,199 or 30.2 per cent of the total general expenditure of the Province for that year.

**61. Health.** With the restructuring of Government, the total operations of the former Ontario Hospital Services Commission have been included in the budget of the Ministry of Health. Previously, the Commission participated in the budget only to the extent that it required subsidization from the Consolidated Revenue Fund.

The increase of \$209,374,171 included increases of \$134,514,275 under the Treatment and Rehabilitation Program relating to the development and management of the hospital system and \$52,953,223 under the Ontario Health Insurance Program.

The expenditure of \$2,001,624,851 on health services was 30.9 per cent of the total general expenditure for the year. The comparable figures for the preceding year, as restated, were expenditures of \$1,792,250,680 or 29.7 per cent of the total general expenditure of the Province for that year.

## COMMENTS ON REVENUE AND EXPENDITURE TRANSACTIONS

62. Section 20(1)(f) of The Audit Act, as amended, reads:

"20.—(1) The Auditor shall make an annual report to the Assembly respecting the fiscal year then closed,

--- (f) as to such matters as he desires to bring to the attention of the Assembly."

Pursuant to the provisions of The Audit Act and the expressed views of the Standing Committee on Public Accounts, the following matters relating to the revenue and expenditure transactions examined during the year are brought to the attention of the Assembly in this Report.

**63. Audit of Revenue.** The audit of revenue at the various Ministries and Institutions continued on a post-audit basis during the year and included a general review of accounting procedures and such tests of accounting records and other supporting evidence as were considered necessary in the circumstances.

In previous years, audits were mainly devoted to the verification of revenue as well as the detection of fraud or manipulation of funds, both at head office and institutional level. These subjects are still of major concern but increased emphasis has been placed on ensuring that there is full compliance with existing Statutes and Regulations, and on the review of procedures that have been established within each Ministry for the verification and reconciliation of revenue.

There has also been a greater concentration on the major revenue producing areas of the Government. As indicated in section 26 of this Report, taxation revenue amounted to \$3,413,707,489 or 55.8 per cent of the total revenue for the year. Accordingly, an audit team has been placed in the Ministry of Revenue to perform an ongoing and continuous audit of the taxation revenue. Similarly, a separate group of auditors has been established in this Office whose principal function is the review of claims on the Government of Canada that arise from contributory or cost-sharing agreements and programs.

**64. Audit of Expenditure.** The audit of expenditure accounts continued on a pre-audit basis for those Ministries not exempt under section 24 of The Audit Act. The post-audit function by the Provincial Auditor commenced on April 1, 1972 for three Ministries and at varying times during the year for thirteen other Ministries. At March 31, 1973 one more Ministry was designated for post-audit leaving six Ministries not designated, namely; Lieutenant Governor, Government Services, Revenue, Solicitor General, Environment and Health.

The post-audit of expenditure was conducted under the following classifications—Transfer Payments; Acquisition/Construction of Physical Assets; and Administrative Expenses.

The estimated general expenditure for 1972-73, exclusive of Supplementary



Estimates, as shown on Table 3 of expenditure estimates 1972-73 may be analysed as follows when considering our audit approach:

	\$	%
Transfer Payments.....	4,555,869,400	71.6
Acquisition/Construction of Physical Assets.....	236,915,400	3.7
Administrative Expenses		
Salaries and Wages.....	699,686,300	11.0
Other Transactions.....	468,825,700	7.4
Services.....	181,264,500	2.8
Supplies and Equipment.....	137,850,300	2.2
Employee Benefits.....	62,987,600	1.0
Transportation and Communications.....	53,003,900	.8
Recoveries from other Activities, Ministries, etc.....	(32,662,500)	(.5)
	<u>6,363,740,600</u>	<u>100.0</u>

During meetings of the Standing Committee on Public Accounts, reference was made on an informal basis by a number of Members of the Committee to their interest in a management or operational type of audit by this Office. As the material contained in the following sections of this Report will indicate, we have not restricted our activities to a financial audit. It is important to note, however, that more than 70 per cent of the budgeted general expenditure, in the form of Transfer Payments, reflects expenditures made to individuals, organizations and other levels of government on the basis of legislation or established Ministerial rules. An assessment of compliance with the applicable legal framework continues to be the most significant aspect of our expenditure audit. This type of compliance audit does not lend itself to an assessment of value for services rendered since the ultimate decision as to expenditure rests with the recipients of the Transfer Payment.

The audit of Construction/Acquisition of Physical Assets included the examination of contract records, the procedures for awarding contracts, and purchasing procedures in this specialized field. Asset records of items both under construction and completed were examined.

The audit of Administrative Expenses involved an evaluation of the internal control over the whole expenditure process, including inventory controls and purchasing procedures.

Several reviews were made on year-end spending, travel expenses and other selected items or areas of operation.

**55. Audit Memoranda.** Memoranda on the various audits and examinations performed during the year were submitted to the Deputy Minister of each Ministry concerned. Observations and comments were made on matters noted during the conduct of the audits, including recommendations and suggestions for improvement in internal controls and general efficiency of the accounting process. The Deputy Ministers were asked to review the memoranda and to forward their comments on our findings and recommendations. This procedure provides each Ministry with an opportunity to challenge the position taken by this Office or to take immediate corrective action.



Matters of interest or significance raised in these memoranda, together with replies received from the Ministries, are included in subsequent sections of this Report. The views or opinions expressed by the Ministries have been included for information purposes without further comment by this Office but will be reviewed during subsequent audits of the respective Ministries. Matters of a routine administrative nature mentioned in the memoranda have not been included in this Report.

**66. Management Board Orders.** Section 5 of The Management Board of Cabinet Act, 1971 provides that, where an appropriation is exhausted or a sufficient amount was not provided and the public interest or the urgent requirements of the public service necessitate further payments, the Board may make an order authorizing payments to be made against such amount as it considers proper.

Section 20(1)(d) of The Audit Act requires that Management Board Orders be reported annually by the Auditor. This section reads as follows:

"20.—(1) The Auditor shall make an annual report to the Assembly respecting the fiscal year then closed,

--- (d) as to all orders of the Management Board of Cabinet issued for the authorization of expenditure in excess of appropriations, citing the date, the amount authorized and the amount expended."

Accordingly, a Statement of Management Board Orders is included as Exhibit 5 to this Report.

**67. Special Warrants.** Section 4 of The Management Board of Cabinet Act, 1971 provides for the issue of a Special Warrant, when the Legislature is not in session, authorizing payment of an amount required to meet an expenditure not foreseen or provided for by the Legislature and which is urgently required for the public good.

Special Warrants are to be reported by the Auditor as required by section 20(1)(c) of The Audit Act, which reads:

"20.—(1) The Auditor shall make an annual report to the Assembly respecting the fiscal year then closed,

--- (c) as to all special warrants issued and the amounts expended thereunder."

As required, a Statement of Special Warrants is included as Exhibit 6 to this Report.

**68. Review of Provincial Auditor's Report for 1971-1972 by the Standing Committee on Public Accounts.** Our Report for 1971-72 was examined by the Standing Committee on Public Accounts during the Third Session of the Twenty-Ninth Legislature. Many of the matters raised in this Report were reviewed and

dealt with by the Committee. Matters not considered by the Committee during this Session were referred back to this Office with the request for follow-up review and comment, in our next Report, on those items where satisfactory corrective action had not been taken by the Ministry or Agency concerned.

At the time of preparation of this Report, this follow-up review had been completed for most of the matters not reviewed by the Committee. Where follow-up review has been completed we can report that, for the most part, corrective action has been taken on those matters raised in our previous Report. Where satisfactory action has not been taken or where further remarks are warranted, comment is made in subsequent sections of this Report.

**69. Public Accounts.** The Public Accounts are prepared under the direction of the Treasurer of Ontario as provided for in section 13 of The Ministry of Treasury, Economics and Intergovernmental Affairs Act, 1972. This section reads as follows:

"The Public Accounts for the 1971-72 fiscal year and subsequent years shall be prepared under the direction of the Treasurer and shall be delivered to the Lieutenant Governor in Council and laid before the Assembly not later than the tenth day of the first session held in the following calendar year."

Our audit of the Public Accounts consists of an examination of the financial statements of the Province appearing in Volume 1 on which I express an opinion. Volume 2 contains reproductions of audited financial statements of certain Crown Agencies. The details of expenditure appearing in Volume 3 are not reviewed by this Office prior to publication but are subject to examination during our subsequent post-audit of the Ministry concerned.

Special Warrants have been shown in the Ministry Statements of Expenditure in Volume 1 of the Public Accounts for 1972-73 as an increase to specific Votes and Items under the Management Board Approvals column. As described more fully in section 67 of this Report, a Special Warrant is issued to meet an expenditure not foreseen or provided for by the Legislature and, therefore, is not an addition to an existing appropriation. Section 4(2) of The Management Board of Cabinet Act, 1971, reads, "A Warrant issued under this section shall be deemed to be an appropriation for the fiscal year in which it is issued." As in our Report for 1971-72 (section 88) we are of the opinion that Special Warrants have been incorrectly presented in the Public Accounts.

Subsequent to the tabling of the Public Accounts for 1971-72 it was discovered that errors existed in the material presented in Volume 3 for the Department (Ministry) of Correctional Services. The effect of these errors was that, with respect to Travelling Expenses, individual accounts were understated by a total of \$2,723 and accounts under \$2,500 overstated by a like amount; and, with respect to Materials, Supplies, etc., individual accounts were understated by a total of \$2,369,583 and accounts under \$10,000 overstated by a like amount.

In a letter dated September 10, 1973, the Ministry advised this Office as follows:

"The reason the original material presented by this Ministry was substantially in error was investigated by our Chief Accountant. Up to this fiscal year our expenditures were processed on the N.C.R. computer, and during the 1971-72 fiscal year a parallel run was made on the computer of the Ministry of Government Services preparatory to changing over to that computer effective April 1, 1972.

As soon as the Programmers were satisfied that the program on the M.G.S. computer was correct, and apparently this was some time in February, no further expenditures for the fiscal year 1971-72 or the year-end adjustments were entered into that computer. Unfortunately, in preparing the material for the 1971-72 Public Accounts, the files were accessed from those updated at M.G.S. rather than the N.C.R. files."

A copy of the revised material is reproduced as Exhibit 8 to this Report.

An error was also discovered in the material presented in Volume 3 of the Public Accounts for 1971-72 for the Department of Lands and Forests (Ministry of Natural Resources). Sundry Travelling Expenses under \$2,500 amounting to \$1,550,368 were erroneously grouped with Other Accounts under \$10,000 for Materials and Supplies. The correct amounts are: Travelling Expenses, Total \$1,740,531, Accounts under \$2,500, \$1,550,368; Materials and Supplies, etc., Total \$35,714,823, Accounts under \$10,000, \$8,626,926.

**70. Federal-Provincial Agreements.** A continuous review has been carried out on activities relative to claims on Canada and certain other claims arising from legislation, from agreements and from other arrangements which provide for recovery of expenditures by the Province. Some observations in connection with these matters follow:

For the year ended March 31, 1973 this Office advised upon, or returned to the pertinent Ministries for correction, some twenty-seven claims on the Government of Canada. Adjustments resulted in certain claims being increased by a total of \$139,425, while decreases in other claims amounted to a total of \$57,548.

Based on information provided by the Ministries and our review of claims, it is estimated that a net amount of \$134,326,344 was recoverable from Canada as at March 31, 1973 with respect to shareable expenditures which had been made by Ontario to that date. The net amount to be settled consisted of:

		\$
Claims submitted to March 31, 1973 (including approximately \$27 million submitted prior to March 31, 1972).....		35,368,614
Estimated shareable expenditures incurred by Ontario in the 1972-73 year not claimed from Canada at March 31, 1973.....		169,519,977
Prepayments by Canada against shareable cost claims and adjustments of claims submitted.....		(70,562,247)
		<u>134,326,344</u>



The Ministry of Colleges and Universities has indicated that as a result of a ruling by Canada on the method of allocating shared costs, it will seek the approval of Management Board of Cabinet to forego collection of approximately \$3 million for 1969-70 training costs previously presented as claims under the Occupational Training of Adults Program.

Reference was made in our Report for 1971-72 (section 90) to the request by the Ministry of Education for permission to write-off an amount of \$394,235 pertaining to claims submitted for 1960-61 under the Vocational and Technical Training Agreement No. 2. The Taxation and Fiscal Policy Branch of the Ministry of Treasury, Economics and Intergovernmental Affairs subsequently made representations to Canada in an endeavour to collect this amount. Canada refused to recognize these claims and accordingly, no further action was taken by the Ministry.

It is understood that with the assistance of the Taxation and Fiscal Policy Branch, a central registry would be in operation by the end of October 1973 within the Ministry of Treasury, Economics and Intergovernmental Affairs which would assemble on a continuing basis, complete and current information respecting all existing agreements. In our opinion, a central accounting control should also be established in addition to the central registry. Timely data as to actual and forthcoming claims, payments of outstanding accounts and approved adjustments should be forwarded to the accounting control area to permit the assembly and preparation of monthly and annual reports for management. These central control operations, however, should in no way relieve the individual Ministries of their responsibility for the administration of their agreements, the preparation of accurate claims, and the maintenance of adequate accounting controls.

As pointed out in our Report for 1971-72, (section 90) most agreements do not provide for interest and cost of administration as factors in the settlement of accounts. It is suggested that consideration be given to the inclusion of such charges in shareable costs as well as the standardization of format in drawing up the agreements.

The certification of claims by the Provincial Auditor before submission to the Government of Canada still exists under many of the Federal-Provincial Agreements. It is hoped that in the post-audit era this administrative function will be assumed by responsible officials of the Ministries. This line-function action by the Provincial Auditor should be phased out as amendments and new agreements are formulated. This Office can then fulfil its responsibilities with post-audits of the claims and records as they pertain to the Ministries.

**71. Special Review of 1972-73 Year-End Spending.** A special review was made of payments charged to expenditure appropriations at the year-end by twelve Ministries whose expenditures during this period had not been examined on a post-audit basis, in order to determine if any expenditures applicable to the 1973-74 fiscal year had been charged to 1972-73 appropriations. This review was of the same general nature as the review performed in the preceding year and which was commented upon in section 91 of our Report for 1971-72.



A considerable improvement was noted in the care that had been taken by these Ministries in allocating their year-end expenditures to the proper fiscal year. The examination revealed that 94 payments, amounting to approximately \$23,000, had been made to suppliers and charged to 1972-73 expenditure appropriations by these Ministries with respect to services and supplies that were not provided until the following fiscal period.

Appropriate comments concerning the year-end spending by the eleven Ministries whose expenditures in this period had been examined on a post-audit basis have been included, where necessary, in sections of this Report dealing with the Ministries concerned.

**72. Travelling Expenses.** The pre-audit of statements of individuals' travelling expenses continued throughout the year for seven Ministries not designated for post-audit. In addition to the determination of the mathematical accuracy of the accounts, the statements were subject to examination, on a test basis, for compliance with the rules and procedures as approved by Management Board of Cabinet and published in the Manual of Administration under Rules on Travelling Expenses, Expenses of Moving on Transfer and Expenses of Candidates and Appointees. As a result of our examination a number of requisitions for payment were returned to the Ministries for various reasons including correction of mathematical errors and reduction of charges.

A post-audit of individuals' travelling expenses for Ministries designated for post-audit was also made during the year. Some observations on our findings follow.

The Rules of Travelling Expenses, as approved by Management Board of Cabinet, indicate that the cost of meals may be allowed under stated circumstances and that the branch head should be satisfied that the charges are reasonable for the locality. No other mention is made of allowable charges for meals. Our examination of travelling expenses, including a special survey of ten large Ministries, revealed that the amount allowed for meals varies considerably from Ministry to Ministry. It is recommended, therefore, that the Rules of Travelling Expenses be amended to include standards or guidelines for the amount allowable for meal charges.

The policy with respect to testimonial dinners or farewell functions was not clear. Two Ministries were noted to have paid, in whole or in part from public funds, costs of functions honouring former officials on retirement or transfer to another Ministry or Agency.

Subsequently, the policy in this regard was clarified by the Chairman of the Management Board of Cabinet in a memorandum dated July 5, 1973. In this memorandum he advised all Ministers that it had never been envisaged by the Government that testimonial dinners, farewell functions, etc., should be financed in whole or in part from public funds and that this should be clearly understood by their officials. The only officially approved "hospitality", other than the normal courtesy extended to business visitors, is through the Hospitality Fund administered by the Minister of Government Services in accordance with previously approved criteria.

Generally, it was noted that control weaknesses existed in the systems used by some Ministries in processing travelling expense accounts. These weaknesses included lack of proper authorization and approval; insufficient information on the travel expense claim forms and attached supporting documents to accurately identify the reason for the incurrence of the expenses; and failure to follow the rules on travelling expenses as approved by Management Board of Cabinet and set out in the Manual of Administration. These matters were drawn to the attention of officials of the Ministries concerned for corrective action.

**73. Services of Consultants, Management Board of Cabinet.** In order to attain the goals of the Management Board Secretariat Program, it has frequently been necessary to supplement the personnel resources of Management Board of Cabinet with the services of outside management consultants. It has been explained that the use of such consultants is deemed to be the most efficient manner in which to meet the constantly changing need for expertise. The selection of consultants is usually based on knowledge of past performance and expertise in the required field. However, no formal records have been maintained of services rendered, or of services available in specific fields. Since substantial amounts are expended for the services of various management consultants, it is recommended that a more formalized method of recording past performance and selecting them be established.

**74. Administrative Expenditures, Civil Service Commission.** Observations and recommendations arising from our audit of Administrative Expenditures of the Civil Service Commission are set out in the following paragraphs.

Inventory records are maintained for furniture and equipment in use at the Civil Service Commission but a comparison with suppliers' invoices revealed that they were not being kept up-to-date. A substantial amount of valuable equipment is kept in the various locations occupied by the Commission in Toronto and at the Staff Development Centre near Barrie. In order to maintain proper control over these assets, all items should be recorded promptly on the inventory records and clearly identified as the property of the Civil Service Commission of Ontario.

The Government of Canada has indicated that, when a provincial government provides French language instruction to its own civil servants, operating costs will be shareable on a 50 per cent basis to a maximum of \$100,000 annually. A statement of operating costs for the fiscal year 1971-72 was forwarded to the Government of Canada in November 1972 and reimbursement received in December 1972. No submission of the 1972-73 operating costs had been made at the close of the audit (October 1973).

Temporary staff is supplied to the other Ministries in the government under the Personnel Services Program of the Civil Service Commission. It is the policy to recover the costs of the Temporary Help Services activity under this program by charging the Ministries that use this service. Expenditures made by the Civil Service Commission for this activity in the 1973-74 fiscal year were charged to

Vote 604-2, Temporary Help Services. It was discovered that no funds had been provided by the Legislature in this vote and item and the situation was pointed out to the Ministry of Treasury, Economics and Intergovernmental Affairs for correction. Approval was subsequently obtained under section 26 of The Financial Administration Act whereby the necessary payments to a maximum of \$1,000,000 could be made in the 1973-74 fiscal year.

An examination of invoices processed for payment in March 1973 revealed two instances totalling \$684 where accounts were paid for services not rendered prior to March 31, 1973. These invoices should have been processed and charged to the 1973-74 expenditure appropriations.

**75. Unsatisfactory Status of Bank Reconciliations, Ministry of Government Services.** In our Report for 1971-72 (section 136) we expressed our concern over the inadequate bank reconciliation procedures of the then Department of Treasury and Economics. Our current examination of bank reconciliations, now the responsibility of the Ministry of Government Services, again disclosed an unsatisfactory situation with respect to these reconciliations.

The responsibility for bank reconciliation; cheque writing, signing and mailing; and cheque replacement operations was transferred to the Ministry of Government Services from the Ministry of Treasury, Economics and Intergovernmental Affairs as part of the restructuring of Government.

As at December 31, 1972 the Bank Reconciliation Section of the Ministry of Government Services was responsible for reconciling forty-one accounts. Of the latest reconciliation statements presented at the commencement of the audit on January 29, 1973, twenty-two were as at dates ranging from March 31, 1972 to September 30, 1972, and sixteen were as at dates ranging from October 31, 1972 to December 31, 1972. No reconciliations had been made since inception on three accounts opened during the year. These accounts were with respect to the 1972 Tax Relief for the Elderly Program, the 1972 Farm Tax Reduction Program, and an additional account for Public Service Superannuation Fund transactions.

Many of the statements presented for examination could not be regarded as true bank reconciliations. In addition to the outstanding deposits and outstanding cheques that may be expected in a reconciliation statement, some thirty or more items of adjustment were used in various statements to effect a reconciliation. Some items had been carried forward for several months or years and cannot now be accounted for or explained.

The items of adjustment appearing on the bank reconciliation statements were discussed with officials of the Ministry of Government Services. Some of the more significant items or amounts were commented on in a memorandum to the Ministry. The items commented on included unexplained bank overcharges, unexplained bank undercharges, deposits and deposit transfers outstanding for more than one month, unidentified returned cheque charges, unsupported charges, incorrect charges for vacation-with-pay books, lack of follow-up on uncashed cheques, duplicate payments and the acceptance, without verification, of bank debits and credits for interest.



The failure to maintain current and accurate bank reconciliations seriously weakens cash control. It is essential that action be taken to implement the changes necessary to provide up-to-date bank reconciliations. In this connection, seven recommendations for improvement in reconciliation procedures were included in the memorandum to the Ministry.

In subsequent correspondence the Ministry pointed out that, when the responsibility for bank reconciliations was assumed on April 1, 1972, "The reconciliations, as noted in your Report for 1972, were in a far from satisfactory condition, being considerably in arrears, in many instances and with too many uncleared items on the reconciliations which had been completed. In view of the large volume of money involved, officials of the Ministry decided as a matter of policy, that the first priority must be to bring the reconciliations to a current status, with uncleared items clearly shown on the reconciliations for action once the current status had been achieved."

The Ministry replied to the detailed points raised during our examination and advised "... Now that a current status has been achieved, it is possible to devote a certain amount of time to cleaning up the reconciliations, with encouraging results so far, without jeopardizing our primary objective of keeping the reconciliations current. It is also probable that some of the differences will never be identified because of the lack of records and the length of time that has elapsed since they first arose. These will be recommended for write-off without delay." and, "As far as the recommendations are concerned, we are basically in full agreement with them and the attainment of the current status has enabled us to implement some of them and to make a start on the others."

**76. Unoccupied Portion of Leased Space, Ministry of Government Services.** A portion of an office building in Toronto was leased by the Ministry of Government Services for a period of ten years commencing August 1, 1964. The third to tenth floors inclusive is the space leased and covers approximately 60,000 square feet. The rental cost is \$223,920 per year payable in monthly instalments on the first day of each month. The annual cost is approximately \$3.75 per square foot.

The building was occupied by a Ministry and its Agency from the commencement of the lease until the fall of 1971. Since that time various branches of the Ontario Government have been located in the building. However, at no time during this period has the building been fully occupied and two floors have been vacant since November 19, 1971 to the date of our review (September 1973).

During the latter part of 1972 discussions were held with the landlord with a view to amending the lease pertaining to the unoccupied space. The conditions under which the landlord would accede to this request were unacceptable to the Ministry. The Ministry is attempting to sublet the unoccupied space.

The rental cost of vacant space for the period November 19, 1971 to March 31, 1973 was calculated to be approximately \$110,000 after allowing for a vacancy of 25 per cent of the time for such reasons as renovating, moving and planning.



As at September 30, 1973 the cost as calculated similar to the foregoing had increased to approximately \$124,000.

**77. Assessment Data Processing, Ministry of Revenue.** The Executive Director of the Computer Services Centre of the Ministry of Government Services communicated with this Office with regard to his submitted tender for doing data processing work for the Provincial Standard Assessment System of the Ministry of Revenue for the period June 1, 1973 to March 31, 1974. He indicated that his price for all areas was \$775,000. The application and report to Management Board of Cabinet by the Ministry of Revenue indicated a final cost summary estimated to be \$619,000. On the basis of this information the exclusion of Computer Services Centre seems justified.

In reviewing the final estimated cost of \$619,000 based on tenders accepted, we noted that it was broken down into four areas as follows:

	\$
Eastern.....	123,000
Central.....	243,000
Western.....	135,000
Northern.....	118,000
	<hr/>
	619,000
	<hr/>

The award to the supplier for the Northern area seems justified. There was very little difference between the quotations submitted but the successful supplier has a record of extensive experience in this type of work. The Western area was awarded to the lowest bidder, a new supplier for this type of work. The Ministry of Revenue was concerned about awarding the jobs to more than one new supplier and therefore continued to retain the same supplier for the Eastern and Central areas although this supplier was not the lowest bidder.

The Ministry of Transportation and Communications submitted a bid for the Central area which was approximately  $\frac{1}{3}$  of that provided by the successful bidder. Although a substantial saving was indicated, the bid of the Ministry was not accepted. The Ministry of Revenue was concerned about the risk of non-performance, at this time, by the Ministry of Transportation and Communications since it was undertaking a major hardware upgrade at the time that the Standard Assessment System required a peak processing capability.

**78. Waiver of Penalty, Ministry of Revenue.** Section 13(4) of The Succession Duty Act required a penalty for default in filing information prescribed under section 13(1) and (2) of the Act. The penalty exigible under this section for some twenty of the files examined would have amounted to approximately \$45,920. It has been the policy of the Ministry to waive the imposition of this penalty. Section 13(4) of the Act was subsequently amended to provide that the penalty for late filing of Succession Duty returns will no longer be mandatory under the Act; its imposition will become discretionary with respect to the death of a person dying after April 12, 1973.

**79. Administrative Expenditures, Ministry of Treasury, Economics and Intergovernmental Affairs.** Observations and recommendations arising from the audit of Administrative Expenditures of the Ministry of Treasury, Economics and Intergovernmental Affairs are set out in the following paragraphs.

During the 1972-73 fiscal year the Ministry incurred expenses of approximately \$14,000 with respect to the relocation costs of a senior civil servant. Included in this amount was a payment of \$4,000 authorized by Order in Council. The remaining expenses, with one minor exception, were paid in accordance with the rules established by Management Board of Cabinet.

During the period under review an expenditure requisition dated March 31, 1973 in the amount of \$149,894 was processed for payment of advertising expenses incurred with respect to the Ontario Property Tax Credit Program. An examination of this requisition revealed that two estimates submitted by the advertising agency had been approved and processed for payment as invoices. The supplier's actual invoices for the services covered by the estimates were processed on the same requisition. As a result of treating both the estimates and the invoices as billings for services rendered, an overpayment of \$70,079 was made to the supplier. This matter was brought to the attention of Ministry officials and recovery of the overpayment was effected.

It was also noted that radio advertising costs of \$20,755 for the period from April 2 to April 6, 1973 were included in the supplier's invoices. Since these costs relate to services rendered in the 1973-74 fiscal year, payment should have been charged to the 1973-74 appropriation.

A physical count of equipment in the Toronto offices of the Ministry was made by Ministerial staff in December 1972. Details of the items counted, with the exception of the original cost, were recorded on inventory cards. Central control records have not yet been established for equipment located in offices beyond the Toronto area. The Ministry has advised us that it is in the process of developing a comprehensive inventory control system with regard to furniture and equipment.

**80. Securities Branch, Ministry of Treasury, Economics and Intergovernmental Affairs.** In our Report for 1971-72 (section 138) comment was made on our involvement in security counting and joint custodial operations in the Securities Branch of the Ministry of Treasury, Economics and Intergovernmental Affairs. We advised that to facilitate security counts, some securities were held in joint custody with the Provincial Auditor. Access to these securities could be gained only with the joint participation of a representative of the Securities Branch and a representative of the Provincial Auditor. These securities were counted, and the appropriate accounting records were initialled, by each representative when securities were taken into or released from joint custody. As a result, it had not been considered necessary to include joint custody items in the annual year-end or periodic count of certain securities. We further advised that, with the introduction of post-audit, we had engaged a firm of Chartered Accountants to assess our audit program as it related to the Securities Branch.

The firm of Chartered Accountants, under date of December 22, 1972, reported their recommendations on the audit approach relating to the Securities Branch of the Ministry of Treasury, Economics and Intergovernmental Affairs. Two major recommendations contained in this report were that this Office should withdraw from the joint custodial function and that this Office should not participate in the destruction of cancelled debentures and interest coupons.

The implementation of these recommendations would affect the current procedures and controls established within the Securities Branch by the Ministry. As a consequence, a copy of the report was forwarded to the Deputy Minister for his consideration. On June 20, 1973 the Deputy Minister advised us that "Our ministry accepts the principal concepts of this report involving the need to disassociate the Provincial Auditor's Office with the joint custody of securities, along with the destruction of such instruments from time to time. It is also our intention to establish an internal audit process which we trust will be operational by the end of this calendar year."

The transfer of responsibilities in this area had not been completed at the time of preparation of this Report.

**81. Federal-Provincial Special Development Loans Program.** In our Report for 1971-72 (section 120) we advised that municipal projects under the Federal-Provincial Special Development Loans Program in the amount of \$5,654,499 had been approved. We further advised that the Province had borrowed the amount of \$5,654,499 from the Government of Canada but had made no disbursements to municipalities on this account at March 31, 1972.

The requirements of this Program were subsequently estimated to be \$5,086,663. On March 30, 1973 debentures of the Province of Ontario in this amount were issued to the Government of Canada together with a repayment of \$567,836 in settlement of the amount of \$5,654,499 previously borrowed.

Loan payments to municipalities in the amount of \$3,410,637 were made during the year ended March 31, 1973. Final payments totalling \$1,490,752 were made in 1973-74, bringing the total loans to municipalities under the Program to \$4,901,389 or \$185,274 less than the net amount borrowed from the Government of Canada. The loans are secured by debentures of the municipalities.

**82. Federal-Provincial Employment Loans Program, 1971.** The objective of this Program was to stimulate growth in employment, particularly during the winter of 1971-72, as rapidly as practicable by adding to or accelerating investment in useful capital development projects up to March 31, 1973, over and above what might have been planned or considered financially feasible in that period by the Province and/or its municipalities.

Ontario's share of the moneys made available by the Government of Canada under this Program is \$26.5 million. The loans will be for a term of up to twenty years, bearing interest at rates to be calculated in accordance with the formula prescribed in section 113 of the Canada Pension Plan Act.



The timing of the Provincial borrowings from the Government of Canada was cited in the Guidelines as:

- “(iii) The federal government may advance the total amount of funds allocated to the province at one time provided that the federal loan commitments in the province equal the provincial allocation and the provincial co-ordinator certifies that work has begun on all related projects. If such an advance is made the province will supply the federal government on or before March 31, 1973 with a statement detailing the application of the loan funds to federally approved projects. Any surplus funds not applied to approved projects will be repaid to the federal government.”

The Province borrowed the full amount of approved Municipal Projects of \$26,466,669 on March 30, 1973.

Ontario's plan was to make its entire allocation of \$26.5 million available to municipalities. The interest rate was to be the Canada Pension Plan rate in effect at the time the application for payment was received in the Ministry, with a maximum of 7 per cent per annum. The schedule of loan payments to the municipalities was stated in a memorandum of the then Minister of Municipal Affairs as follows:

#### “6. *Loan Payments*

All loan payments under the program will be made to municipalities by the province.

A municipality may receive loan payments in three ways:

- (i) Advance Payment—Once a loan commitment has been made and the work started or contract let, a municipality may apply for a 25 per cent advance on the loan.
- (ii) Progress Payments—A municipality may apply during the construction period for progress payments with respect to any part of the project that has been completed.
- (iii) Final Payment—A municipality will apply for the balance of loan not previously advanced when the work has been completed or by March 1973 whichever is earlier.”

One advance payment of \$1,500,000 was made to a municipality on March 22, 1973 and payments in full in the amount of \$224,908 were made to two municipalities for completed projects on March 20 and 30, 1973. Additional payments totalling \$9,851,078 were made in the period April 1, 1973 to September 30, 1973 bringing the total loan payments to municipalities to \$11,575,986 at September 30, 1973. The balance of the payments are expected to be made by March 31, 1974.

The Government of Canada undertook to forgive that portion of the principal amount of a loan made in respect to an approved project equal to 75 per cent of the direct on-site payroll cost incurred before June 1, 1972. No accounting entries for forgiveness had been made to October 31, 1973.



**83. Recommended Write-Off of Settlers' Loans.** Loans to settlers were made under authority of The Northern Development Act which came into force on April 8, 1926. Under this Act a Commissioner was appointed who had power to make loans to settlers in amounts not exceeding \$500. These loans were subject to interest and were secured by liens registered against the property owned by the settler.

The Northern Development Repeal Act, 1973, came into force on May 25, 1973. This Act effectively terminated the office of Settlers' Loan Commissioner. The Act further provides that any lien or charge registered under The Northern Development Act is discharged effective January 1, 1974.

The balance of Settlers' Loans included under Inactive Assets on the Statement of Assets and Liabilities of the Province at March 31, 1973, was \$45,315. No loans have been granted in over thirty years. In recent years receipts have been confined to remittances received from persons wishing to obtain a lien discharge. No receipts were received during the year ended March 31, 1973.

In view of the above it is recommended that the Settlers' Loans be written-off and thus eliminate this asset from the Statement of Assets and Liabilities of the Province.

**84. Motor Vehicle Accident Claims Fund Increasing by Approximately \$1.8 Million Annually over a Ten-Year Period.** During the year an audit of the Fund was completed up to December 31, 1972. For convenience, and ease of reference, certain figures have been quoted as of March 31, 1972.

The Motor Vehicle Accident Claims Fund replaced the Unsatisfied Judgment Fund as of July 1, 1962. The balance in the latter Fund in the amount of \$8,229,512 was transferred to the Motor Vehicle Accident Claims Fund and constituted its opening balance. The balance in the Fund had increased to \$26,309,215 at March 31, 1972, an average annual increase of approximately \$1.8 million over the approximate ten-year period.

The Fund does not maintain sufficient statistical data to permit a reliable assessment of the liability for unsettled and unreported claims. Based upon the statistics which were available, and an analysis and review of the operation of the Fund, it was our opinion that the total liability for unsettled and unreported claims as of March 31, 1972 would not have exceeded 50 per cent of the balance at the credit of the Fund on that date. The remainder would have represented surplus funds or a reserve for future claims. It was recommended that the Fund develop procedures which would enable an assessment to be made of the liabilities for both unsettled and unreported claims and, consequently, of the surplus portion of the balance at the credit of the Fund.

The Fund is experiencing difficulty with respect to the collection of accounts receivable. While the amounts do not appear on the Statement of Assets and Liabilities of the Province or on the financial statements of the Fund, accounts receivable totalled approximately \$54 million as at March 31, 1972. As at that

date the records indicated that in excess of \$65 million of recoverable moneys had been paid out under the provisions of the Motor Vehicle Accident Claims Fund and its predecessor, the Unsatisfied Judgment Fund. For the same period, the records showed that repayments totalled less than \$12 million, a recovery rate of approximately 18 per cent. We recommended a more positive collection policy utilizing such positive measures as wage assignments, property liens, and the use of collection agencies.

The Ministry of Consumer and Commercial Relations advised our Office on June 12, 1973 that "... the whole situation with regard to the Fund is still under active investigation not only by the Staff of this Division but also by the Ministry's Programme Support Division and the Management Services Division of the Ministry of Government Services."

**85. Fee Increase Deferred, Ministry of Consumer and Commercial Relations.** On July 1, 1972, Ontario Regulation 243/72, made under The Vital Statistics Act, increased the fees for services rendered by the Office of the Registrar General. The revised Regulation received little publicity when it was filed. As a consequence the public was generally unaware of the increased fees and continued to remit payments for services on the basis of the former schedule of charges.

Officials of the Ministry decided to place a three month moratorium from July 1, 1972 to September 30, 1972 on the increases in fees. During this period, services were rendered if the fees required by the former or the amended Regulation were received. This moratorium ceased on September 30, 1972, and after that date the provision of service was contingent upon payment of the correct fees.

**86. Review of Expenditures and Inventory Records, Ministry of Correctional Services.** Observations arising from an audit of expenditure and trust fund records of the Ministry of Correctional Services are set out in the following paragraphs.

Rehabilitation assistance in the form of cash advances is given to paroled or discharged inmates to assist them in the transitional period after leaving a penal institution. Provision for this assistance is made in section 9(c) of Regulation 166 made under The Ministry of Correctional Services Act which states:

"9. Upon the parole or discharge of an inmate, the Superintendent,

--- (c) may grant the inmate a gratuity or such other assistance as may aid in his rehabilitation."

This section gives authority for such assistance to be granted only by a Superintendent and then only on the parole or discharge of an inmate. In practice, however, these assistance payments are made in cash by After-Care Officers to adult offenders when these persons are discharged or paroled from an institution or at any other time subsequent to their release. Since the After-Care Officers are responsible to the Director of Adult Rehabilitation and After-Care Branch and not to the Superintendents of the various institutions, it would appear that the

responsibility for granting rehabilitation assistance has been given to the After-Care Officers without legislative authority.

Funds for the payment of rehabilitation assistance to inmates were provided in the 1972-73 expenditure estimates under Vote 1202, Item 4, "After-Care of Adult Offenders—Assistance to Inmates—Rehabilitation Assistance" apparently in accordance with Ministerial policy. It is felt, however, that these funds should have been provided within the same activity as the salaries of the Superintendents who have been given Legislative authority to grant assistance to inmates. The Ministry has advised us that this matter is under review.

The equipment in use at the Main Office of the Ministry is not controlled through the use of perpetual inventory records or equipment information cards. The most recent equipment lists available at the time of the audit were compiled as at April 30, 1972, and were certified as correct at that time by the heads of the various Divisions or Branches concerned. These lists have not been used to create a permanent fixed asset control since they do not reflect any acquisition or disposal of equipment since that date or indicate changes in location. It was also ascertained that no attempt had been made to affix identification labels to the office furniture in use at the Main Office of the Ministry or to establish inventory records to show the quantities and location of this furniture. As a consequence a test-count of office furniture was not made during the course of the audit. The Ministry has now advised us that procedures are being written up for inclusion in their Accounting Manual to control equipment by means of perpetual inventory records.

**87. Survey of Institutional Sales, Ministry of Correctional Services.** As requested by the Standing Committee on Public Accounts, a general survey of sales by correctional institutions was carried out during the year. These sales are classified as Industrial; and Produce, Livestock, etc.

Industrial sales, for the most part, are comprised of revenue from licence plate manufacturing; meat cutting and processing; and cannery operations. Other sources, some with limited operations in 1972-73, are machine shop, shoe shop, tailor shop, woollen mill, picnic table and bed manufacturing. The snow fence operation was discontinued in 1972-73.

Produce, Livestock, etc., sales consist mainly of revenue from farming and milling operations. On January 6, 1972 the Ministry announced that most farming operations at correctional centres would be discontinued. This action was taken because the value of this type of training in rehabilitating inmates has been minimized by the decline in employment opportunities in the Agricultural field.

All manufactured and farm products were retained by the Ministry of Correctional Services or were sold to other Ministries or Agencies of the Ontario Government. Prices charged are generally set at ten per cent less than those charged by outside manufacturers or producers. Licence plates are charged at estimated cost.

A firm of consultants has been engaged by the Ministry to review all phases



of industrial activity and to evaluate the effectiveness of these activities as an aid in the rehabilitation of the inmate population. The implementation of recommendations resulting from this review could alter the procedures described above.

**88. Accounts Receivable, Revenue and Inventory Records, Ministry of Agriculture and Food.** The accounts receivable of the former Ontario Veterinary College and the Agricultural Research Institute were transferred to the Ministry of Agriculture and Food for collection in 1965. These accounts, which totalled \$22,161 at January 31, 1973, are not included in the accounts receivable control accounts but are contained in hand-written listings which are up-dated when remittances are received from the debtors. The Ministry advised us that it is intended to submit a large portion of these old accounts for write-off.

Observations were made during the conduct of the audit on the weaknesses in revenue control resulting from the non-use of pre-numbered forms in some areas; the destruction, before audit, of unissued licences and other supporting documents; and the failure to effect a complete sequential check of inspection certificate forms.

The mastitis control program was discontinued during the period under review and the Regional Veterinary Laboratories were requested to return their stock of unused receipt forms to the Branch for cancellation. At the date of the audit the disposition of approximately 700 receipt forms had not been established and it could not be determined if they had been issued to acknowledge the payment of fees or if they remained in stock at the Regional Veterinary Laboratories. The numbers of the missing receipt forms were made available to Branch personnel for further investigation.

Section 3 a (1) of The Meat Inspection Act, as amended, states, in part, that "The Director shall issue a licence to a person who makes application therefore in accordance with this Act and Regulations and pays the prescribed fee . . .". Current Regulations do not prescribe the fees payable for these licences and it is understood that, in accordance with Ministerial policy, licences are presently being issued to applicants without charge. Consideration should be given to establishing a set fee to be payable when licences are issued under this Act.

A daily fee of \$15 is charged to Agricultural and Horticultural Societies for the services of judges in field crop and fall fair competitions in the northern parts of Ontario. These fees should be reviewed at regular intervals to ensure that they are commensurate with the related costs of providing the service. Statutory authority for these fees has not yet been provided.

The inventory records of the Extension Branch, the Soils and Crops Branch and the Livestock Branch consist of annual listings of equipment on hand. These listings do not provide adequate control over the assets of the Branch and it is recommended that a formal inventory account in the form of card-index records, be established and maintained for each item of equipment.

The Ministry has advised us that the Internal Audit Branch will look into the aspect of pre-numbered forms, destruction of forms, etc., and, together with



the Record Retention Section of the Administrative Branch, will rectify this situation.

**89. Payments Under Guaranteed Bank Loan Programs, Ministry of Agriculture and Food.** The Lieutenant Governor in Council has guaranteed a number of bank loans that were made to farmers under various assistance programs in effect from time to time.

In those cases where the Ministry has been called upon to repay a loan in default, under the terms of the guarantee the amounts so paid to the banks remain as separate recoverable charges against the farmers concerned. The amounts that are paid under guarantee are recorded on individual accounts receivable cards in the names of the persons on whose behalf the loans were paid. The Ministry has not yet instituted a control account for these recoverable amounts but it is understood that such a record is under consideration.

During the course of the audit, a projected accounts receivable control account balance was established from the Ministry records which totalled in excess of \$4 million as at January 31, 1973. Procedures do not appear to have been established within the Ministry to review individual accounts on a current basis and to recover all funds paid out as a result of the guarantees. The majority of the accounts have been outstanding for a considerable period of time and from a review of these records it would appear that the Ministry may incur a substantial financial loss because of the nature of these programs.

At the time of the audit, 115 accounts totalling approximately \$641,000 had been submitted to Central Collection Services in the Ministry of Government Services for collection because the actions taken by the Ministry of Agriculture and Food to effect settlement of these debts had not been effective. It is understood that an additional 186 accounts will be transferred to Central Collection Services within a short period of time.

In order to minimize possible financial loss, it is recommended that the Ministry explore the feasibility of amending the Legislation pertaining to the guarantee of bank loans to provide for a lien in favour of the Treasurer of Ontario to be registered against any property owned by a person on whose behalf a bank loan has been paid.

Details of the various guaranteed loan programs administered by the Ministry are set out in the following paragraphs of this section.

The Department of Agriculture and Food Amendment Act, 1967, and subsequent amendments thereto, permitted the Lieutenant Governor in Council to guarantee the repayment of bank loans, up to a maximum of \$5,000 together with interest thereon, that had been obtained by farmers for stated purposes. Under this Legislation and Orders in Council 4838/66 and 3980/67, as amended, guarantees were made for the repayment of loans that were obtained by farmers for the purpose of paying mortgage payments, taxes or production operating expenses. The repayment guarantees applied only to loans obtained by farmers who had suffered a loss of twenty-five per cent or more of the income normally to be

anticipated from the operation of their farms by reason of adverse weather in the 1966 and 1967 years.

Records maintained by the Ministry indicated that 7,155 loans had been guaranteed under this program. From the commencement of the plan until January 31, 1973, the Ministry paid the balances of 1,427 loans in default, amounting to \$4,931,547, to various banks under the terms of the guarantees. The Ministry has recovered \$795,986 of these funds from sundry borrowers. Accordingly, as at January 31, 1973 numerous balances totalling \$4,135,561 were still owing to the Ministry by farmers who were unable to discharge their obligations to the banks. It was noted that these accounts receivable included 92 balances amounting to \$438,417 pertaining to debtors who have been declared bankrupt.

The Department of Agriculture Amendment Act, 1965, as amended, authorized the Lieutenant Governor in Council to guarantee the repayment of bank loans up to a maximum of \$4,500, together with interest thereon, that were made to farmers who had incurred damage occasioned by drought or army worm infestation. The loans were obtained for the purpose of purchasing hay and grain to feed livestock and poultry. Under the provision of Orders in Council 2633/64 and 1260/65 the guarantees applied to loans granted to farmers in the period from September 1, 1964 to May 15, 1965. The guarantees were for a term of three years commencing on September 1, 1964.

Records maintained by the Accounts Branch up to January 31, 1973 indicated that the Ministry had been called upon to pay the balances of 36 loans totalling \$41,490 to various banks under the terms of the guarantees and that sundry debtors had repaid \$8,428 of this amount to the Ministry. As at January 31, 1973 the total outstanding balances recoverable from farmers under this program amounted to \$33,062.

The Department of Agriculture Amendment Act, 1966, as amended, authorized the Lieutenant Governor in Council to guarantee the repayment of bank loans up to a maximum of \$1,000, together with interest thereon, that were made to farmers who incurred crop losses due to adverse weather in any year. The loans were for the purpose of purchasing seed, plants, insecticide materials, herbicide materials, agricultural limestone or fertilizer. Under Order in Council 1807/66 and other amending Orders in Council, the guarantees applied to loans granted in the period from April 28, 1966 to July 31, 1966. The guarantees terminated on October 1, 1967.

From the inception of this program to January 31, 1973, the Ministry was called upon to pay the balances of 212 loans amounting to \$148,340 to various banks under the terms of the guarantees. During the same period the Ministry recovered a total of \$49,523 from many of the borrowers on whose behalf the bank loans had been paid. As at January 31, 1973 a total of \$98,817 remained to be recovered from the remaining debtors.

Section 15 (1) of The Co-operative Loans Act provides that the Lieutenant Governor in Council may upon such terms as he considers proper agree to guar-



antee and may guarantee the payment of any loan and the interest thereon made to a Co-operative Association. One claim in the amount of \$918,124 which the Ministry was required to pay in the 1969-70 fiscal year under the terms of its guarantee has not yet been recovered from the Co-operative Association on whose behalf the loan was paid.

Under the provisions of The Junior Farmer Establishment Act, the Lieutenant Governor in Council may, upon such terms as he considers proper, agree to guarantee and may guarantee payment of losses sustained by a chartered bank as a result of loans made to junior farmers for the establishment, development and operation of their farms in an amount not to exceed ten per cent of the aggregate principal amount of the bank loan. Records maintained by the Ministry indicated that up to January 31, 1973 the Ministry had been required to pay the balance of 28 loans amounting to \$88,784 to various banks under the terms of the guarantees. The Ministry had recovered \$3,498 of these funds from sundry borrowers. As at January 31, 1973 the total outstanding balances recoverable from junior farmers under this program amounted to \$85,286.

The audit revealed that while a total indebtedness of \$15,560 was owing to the Ministry by four farmers as a result of bank loans being paid on their behalf by the Ministry under the terms of the guarantees, The Ontario Junior Farmer Establishment Loan Corporation was holding surplus funds of \$19,842 for these same debtors or other claimants that had arisen from the sale of the debtors' farm properties. Surplus funds of this nature are generally held by the Corporation until such time as the individual mortgages on the properties sold have been fully discharged. It was also noted that surplus funds of \$663 resulting from the sale of one farmer's property had been disbursed to claimants despite the existence of an overdue accounts receivable balance from the same farmer recorded in the Accounts Office of the Ministry. It is suggested that the Ministry should consider the possibility of offsetting surplus funds arising from the sale of properties by The Ontario Junior Farmer Establishment Loan Corporation against debts owing to the Ministry by the former owners of these properties.

The Ministry has advised us that "The Ministry has procedures (although not written) in reviewing individual accounts on an ongoing process, and efforts are definitely made to recover all receivables." The Ministry further advised us that the Co-operative Association referred to is no longer in existence since it went into receivership in 1969.

**90. Farm Tax Reduction Program, 1972, Ministry of Agriculture and Food.** The Farm Tax Reduction Program, 1972 was established by Order in Council 3630/72. The purpose of this program was to assist owners of property in the year 1972, by means of grants, in the payment of municipal taxes with respect to land assessed for farming under The Assessment Act.

Municipal taxes under the Farm Tax Reduction Program, 1972 means all taxes for municipal and school purposes imposed by a mill rate on rateable farm property, as adjusted by any increase or decrease made under a by-law passed pursuant to section 505 of The Municipal Act. The grant is an amount equal to

25 per cent of such taxes. In previous years grants were a similar percentage of "net taxes" being the municipal taxes less any reduction made under section 2 of The Residential Property Tax Reduction Act. It appears possible due to additional tax benefits available to elderly taxpayers, that such taxpayers could receive more grants than the actual taxes paid or payable on the property. The tax reduction programs do not restrict total grants to the actual taxes assessed. It should also be noted that municipal taxes do not have to be paid in order to be eligible for inclusion in the grant calculation.

Under section 6 of Order in Council 3630/72 every grant paid under this program is subject to the condition that where and when the property or any part thereof ceases to be assessed as a farm by reason of its development for residential, industrial or commercial purposes in or before 1982, the person who owns the property or any part thereof at the time it ceases to be so assessed, shall thereupon pay to the Treasurer of Ontario the amount of the grant or such proportional part thereof, as the case may be, with interest thereon at the rate of eight per cent per annum, for the period from the date on which the grant was paid to the date on which the grant is repaid. It seems questionable whether a new owner of a property could be legally required to repay all farm tax rebates granted with respect to such property when he has not received any direct benefit, and no liens have been registered against the property in this connection.

As in my Report for 1971-72 dealing with the 1971 Program (section 93) it is recommended that payments under the Farm Tax Reduction Program be made on the basis of an application form.

The Ministry has advised us "Your recommendation that payments under this program be made on the basis of an application form has been discussed many times and is considered impractical at the present time."

**91. Establishment of Programs by Act and Regulation Recommended, Ministry of Agriculture and Food.** During our audit of the Ministry, transfer payments totalling more than \$300,000 in the nine months ended December 31, 1972 for the following programs were reviewed:

- agricultural limestone,
- organization and special projects of The Ontario Soil and Crop Improvement Association,
- bursaries to veterinary students,
- agricultural development in Norther Ontario, and
- grants and achievement awards paid by the Extension Branch and Home Economics Branch.

Since most of these programs have been in operation for many years, Ministerial or Order in Council authority was probably provided at their inception. It was also found in the course of the audit that the authorities for certain programs, such as Order in Council 2279/52 covering grants to plowing matches, were not current and should be updated. It appears to be the current practice in this



Ministry to establish programs mainly by Order in Council as provided under section 5 (1) of The Ministry of Agriculture and Food Act. It is recommended that wherever possible the programs be established by Act and Regulation. It is recommended that Regulations made under such statutes state in specific and consistent terms such matters as eligibility and manner of payment.

**92. Loss on Loan to a Co-operative Association, Ministry of Agriculture and Food.** The Co-operative Loans Act authorizes the Lieutenant Governor in Council to make a loan to any co-operative association to enable it to carry out its objects to an amount not exceeding 50 per cent of the value of the real property of the co-operative association. The loans are secured by a first mortgage on the real property of the co-operative association and are repayable over a period of twenty years.

During the year, the property of a co-operative association became vested in a municipality for default in payment of taxes, subject only to the first mortgage held by the Province under The Co-operative Loans Act. The municipality sold the property by tender at the highest bid of \$65,600. At the time of the sale, the co-operative association was indebted to the municipality for approximately \$34,300 for taxes and to the Province for approximately \$58,300, consisting of mortgage principal \$49,500 and unpaid interest \$8,800.

The Ministry of Agriculture and Food entered into an agreement with the municipality whereby the municipality would accept \$22,100 in full settlement of its claim and the Province would accept \$43,500 in full settlement of its claim.

The loss to the Province was \$14,800, consisting of mortgage principal \$6,000 and interest \$8,800. Management Board of Cabinet has approved the write-off of \$14,800 but the necessary authority of the Lieutenant Governor in Council to delete the loss from the accounts of the Province was not received at the time of preparation of this Report.

**93. Cash Transactions, Ministry of the Environment.** Under The Government Reorganization Act, 1972, the Minister of the Environment became responsible for The Ontario Water Resources Act, formerly The Ontario Water Resources Commission Act, on April 1, 1972. On that date the Ontario Water Resources Commission was dissolved and all of its assets and liabilities became vested in and binding upon the Crown. These assets and liabilities were incorporated in the books of the Province of Ontario and are included in the Statement of Assets and Liabilities as at March 31, 1973.

The closing balances of the Ontario Water Resources Commission as at March 31, 1972, included cash in five bank accounts totalling \$2,895,679. During the year April 1, 1972 to March 31, 1973 the Ministry deposited moneys received from municipalities in these bank accounts and made disbursements from these bank accounts in the course of operating municipal and provincial projects. The summary of these transactions for the year April 1, 1972 to March 31, 1973 is as follows:

Balance, March 31, 1972.....	\$ 2,895,679
Receipts.....	26,785,952
	<u>29,681,631</u>
Disbursements.....	26,138,694
	<u>29,681,631</u>
Balance, March 31, 1973.....	\$ 3,542,937
	<u><u>3,542,937</u></u>

While the closing balances of the Ontario Water Resources Commission bank accounts became vested in the Crown under section 3 of The Ontario Water Resources Act they remained outside the control of the Treasurer of Ontario. Similarly, funds received and disbursed during the year April 1, 1972 to March 31, 1973 for project operations were outside the control of the Treasurer of Ontario. The administration of these funds under The Ontario Water Resources Act is contrary to The Financial Administration Act. It is recommended that the matter be reviewed and the conflict in legislation be resolved.

**94. Weaknesses in Accounting Procedures and Controls, Ministry of Industry and Tourism.** Observations on findings disclosed by our audit of expenditure completed during the year are set out in the following paragraphs.

In April 1972, the Ministry engaged a new advertising agency to handle the advertising related to the tourism activities. Payments to this agency have exceeded \$1,250,000 to November 30, 1972. No contract or written agreement was in force at the time of audit which set out the terms of the advertising arrangements between the Ministry and the agency. It was explained that it is the intent to formalize a contract or agreement with the agency in the future. Ministry officials have advised that they are satisfied with the service provided and that, in their opinion, good value has been received for the funds expended.

It has been the policy of the Ministry to use principally one supplier for the creation and production of tourism publications. Payments in excess of \$350,000 were made to this supplier for the period April 1, 1972 to November 30, 1972. No written contract or agreement was in effect at the date of our review. It did appear that the Ministry allowed the design agency to control all aspects of the production of the publications. For example, printing tenders were called and the jobs awarded without the involvement of Ministry officials. The design agency added approximately fifteen per cent to the cost of printing to cover the cost of quality control and overhead. It is understood that these procedures have recently been amended so that Ministry personnel will be actively involved in the tendering procedures. However, we understand that the design agency will still maintain responsibility for quality control. It was explained by officials of the Ministry that a contract is in the negotiation stage. It is agreed that the value of services rendered for advertising expenditures is difficult to measure. Regular price comparisons with alternative sources of these services should be made and recorded, in order to be certain that prices are fair and just.

A review of accounts paid by Ontario House, London, England, from its accountable advance indicated a number of system weaknesses including the non-use of purchase order forms; use of photo copies of original invoices and

internally prepared documents in lieu of properly receipted invoices; evidence of duplicate payments; and the delegation of the administrative function to one person. A system study should be made to determine if proper internal controls are in existence. Written directives are required to outline recovery policy on amounts expended by Ontario House on behalf of other Ministries.

A number of students were employed by the Ministry during the summer of 1972 to act as travel counsellors in various travel information centres throughout the Province. In some cases it was noted that daily travel allowances were paid to the counsellors in addition to the per diem wage rate at which the counsellors were employed. No formal contracts were located defining the terms of employment for these persons. Regulations under The Public Service Act require that the terms of employment of Group 1 unclassified employees be set out in individual contracts.

Internal control criteria, as outlined in Guideline 14 issued by the Ministry of Treasury, Economics and Intergovernmental Affairs, require that the Ministry shall maintain pre-determined controls on gross pay and shareable deductions for both classified and unclassified payrolls. It was noted that such predetermined controls were not being maintained at the time of audit.

The responsibility for controlling items of a recoverable nature appears to be with officials of the branch incurring the original expense. A formal central memorandum record of all items felt to be recoverable and a system of continuing follow-up should be initiated to ensure that all such recoveries are made.

In reviewing the accounts passed for payment in September 1972, a substantial number of purchase orders issued after the invoice dates were noted. On further examination, it was determined that procedures in effect until early in October 1972 had provided very little control over the purchasing functions of the Ministry. It seemed to be accepted practice for personnel within the operating branches to contact suppliers directly and commit the Ministry to purchases. Purchase requisition forms would then be completed and forwarded to the purchasing officer as required documentation for the issue of an official Ministry purchase order form. Accordingly, it could not be substantiated for all of the purchases made that competitive quotations had been obtained or that the supplier most advantageous to the Ministry had been selected. On October 5, 1972, the Executive Director, Administrative Services Division, issued a directive outlining new purchasing procedures and incorporating required controls that were absent in the old system.

Inventory records maintained to control the equipment and furniture of the Ministry were incomplete. It is understood that the internal auditor is involved in the compilation of an equipment inventory. Senior officials should establish inventory guidelines as present policies of the Ministry appear to be vague in this area.

Applications by regional tourist organizations for grants under The Tourism Act must be accompanied by an audited financial statement of the organization. It was noted that, in several cases, the audit was performed by officers or members of the organization applying for the grant. Other instances were noted where the



external auditors had qualified their opinions because of lack of internal controls. Provision is made in the Regulations for an audit of financial transactions of the regional organizations by an official of the Ministry designated as auditor by the Minister. It is recommended that an auditor be appointed and that audits be performed where deemed necessary.

In our opinion, adequate administrative support service has not been provided to the operational branches of the Ministry. Standards and guidelines should be developed and consolidated from existing Government rules and directives and from Ministry policies so that any guidance required by the operational branches can be obtained on a consistent basis. The Accounts Branch should exercise a control function over the routine accounting activities within the branches.

In a letter to this Office, the Ministry observed that, during the audit period, they had been deeply involved in the development of a new Organizational Superstructure, a very necessary step prior to having effective control over the entire Ministry. The Ministry commented on most of the points raised by our audit and commented generally as follows:

"The Ministry has developed a practice of weekly meetings of all senior personnel. This forum is being used to communicate ways and means of improving our operating methods both externally and internally. Upon receipt of your Audit Report, its recommendations and criticisms were communicated to all concerned with appropriate remarks from the Deputy Minister. As a result all operating procedures are being reviewed and new instructions issued which . . . will ensure a better report after the next audit."

**95. Payment in Consideration of Loss of Office, Ministry of Industry and Tourism.** During April 1972, a new Agent General was posted to Ontario House, London, England. The former Agent General was recalled to Toronto and relocation costs of more than \$7,000 were expended on his behalf during the period from April 1, 1972 to June 30, 1972. An Order in Council dated December 13, 1972 advised that the services of the former Agent General be terminated as of July 30, 1972, and that an amount of \$35,000 be paid to him in consideration of his loss of office. This latter payment is considerably in excess of the amount permitted under The Public Service Act and Regulations for release of an employee from the public service.

**96. Licensing of Tourist Establishments, Ministry of Industry and Tourism.** The Tourism Act, 1972 requires a person operating a tourist establishment to obtain a Tourist Establishment Licence, and the Regulations made under the Act govern the issuance of licences and the payment of the related fees. It has been the policy of the Ministry to waive this requirement for any establishment that is licenced under The Liquor Licence Act. Consideration should be given to making provision for these exemptions in The Tourism Act, 1972 to ensure that Ministerial policy does not contravene the legislation.



**97. Industrial Safety Act, Ministry of Labour.** The Industrial Safety Act, 1971, as amended, specifies that no person shall commence to construct or reconstruct certain industrial or recreational buildings until the drawings thereof have been examined by an engineer of the Ministry and certified as meeting the requirements of this Act and the Regulations. The same Act also provides for fees for the certification of drawings to be prescribed by Regulations made under the Act.

The fees prescribed by the Regulation made under The Industrial Safety Act, 1971, as amended, are for the examination of drawings rather than the certification of drawings. The practice of the Ministry is to charge for certification as required by the Act, but the amount so charged is the one established in the Regulation for examinations. In a reply from the Ministry, it was agreed that section 9 of the Regulation was poorly worded. Since the revenue amounts to approximately \$500,000 in a year, it is suggested that the Act and the Regulation be reviewed by the Ministry and that amendments be made to reflect the policy of the Ministry.

The Industrial Safety Act, 1971, as amended, and the Regulations thereunder permit the issue of copies of inspectors' reports or directions upon payment of the prescribed fee. The Ministry had not established a formal system to record the number of reports and directions issued during the period of our review and as a consequence no positive conclusion could be reached regarding the accuracy of revenue reported from this source. Subsequently, the Ministry advised this Office that a system to record the number of inspectors' reports and directions issued, and the receipt of the prescribed fees, has been adopted.

**98. Administrative Expenditures, Ministry of Natural Resources.** Observations and recommendations arising from our audit of Administrative Expenditures of the Ministry of Natural Resources are set out in the following paragraphs.

During the 1972-73 fiscal year payments amounting to \$59,578 were made to a firm of consultants and writers on public relations to manage the information and public relations programs for historical parks in that year. The contracted work was described in general terms in a letter of authorization from the Director of the Historical Sites Branch but a formal agreement was not drawn up or executed. It was stated that other companies had not been invited to submit tenders or submissions on the work to be performed and that the contract had been authorized without the prior approval of the Deputy Minister. It was also noted that the contract awarded included the provision for a charge of \$24,000 to be made for consulting services during the term of the agreement but that no attempt had been made to obtain the approval of Management Board of Cabinet for the payment of these fees.

The Ministry engaged the services of one company to provide the use of three aircraft for the detection of wildfires during the 1972-73 fiscal year. Details of the charter were set out and accepted in an exchange of correspondence between the Ministry and the supplier, and up to March 31, 1973 the Ministry had made payments totalling \$73,672 for the use of the aircraft. As at the conclusion of the

audit, however, there was a conflict of opinion regarding the Ministry's total liability under the agreement which might result in the supplier instituting legal action to recover a further payment of approximately \$49,000 from the Ministry. This conflict of opinion might have been averted if the services of the Legal Branch had been utilized in drafting a comprehensive formal agreement for execution by the Ministry and the supplier.

On June 27, 1972 an agreement was approved between the Ministry and the Governors of a University whereby the University would perform archaeological research for the Ministry at a cost not exceeding \$10,000. The agreement specified that the University would submit invoices and supporting vouchers to the Minister at stated intervals as well as signed declaration that all such disbursements made were just and reasonable. Despite the conditions set out in the agreement, the Ministry processed a payment in the maximum amount of \$10,000 to the University in February 1973 on the basis of an invoice without supporting documentation or the required declaration.

Funds for the operation of a Research Station during the 1972-73 fiscal year were provided in the Research Activity of the Ministry Administration Program (1801-9). It was later found that the funds provided were insufficient to meet the outstanding commitments. Rather than obtain authorization for additional funds in accordance with Legislative Authority, expenditures amounting to \$3,210 were ultimately charged to the Industry Information Support and Sales Activity of the Renewable Resources Development Program (1804-3) where funds were still available.

The Administrative Services Branch maintains separate inventory records for office and technical equipment used by the Division of Mines and for office and technical equipment held by other Divisions of the Ministry. The records of the Division of Mines are a continuation of the equipment records of the former Department of Mines and Northern Affairs, but a control account for these assets has not yet been established. The records, which were compiled from reports of equipment on hand at March 31, 1970 and physical counts taken in July and August 1971, include all items at outside locations of the Division as well as those within the Main Office in Toronto. It was stated that these inventory records had not been completely up-dated at the time of the audit and that no physical count had been requested since the records were first set up. The office and technical inventory records for the other Divisions of the Ministry are an extension of the inventory records maintained by the former Department of Lands and Forests. This inventory was prepared from actual counts of the items on hand during the 1971-72 fiscal year and includes only equipment that is located in the Toronto area. It was found that these records had not been reconciled with the equipment control account at March 31, 1973 and that the records for three Branches had not been up-dated since March 31, 1971 because the Branches failed to submit the required documentation to the Inventory Record Clerk.

It is recommended that the office and technical equipment inventory records for all Divisions of the Ministry be integrated into one standard controlled system as soon as possible and that the balances shown by these records be verified at regular intervals by actual counts of the physical quantities on hand.

The Internal Audit Section of the Ministry presently reports to the Director of the Financial Management Branch. In order to achieve the degree of independence necessary to carry out the internal audit function effectively, it is felt that this section should report to a level at least equal to that of an Assistant Deputy Minister.

**99. Transfer Payment, Ministry of Natural Resources.** An audit of transfer payments of the Ministry of Natural Resources disclosed that grants to municipalities under The Parks Assistance Act were made from funds voted by the Legislature as Grants to Conservation Authorities. In our opinion these grants to municipalities were illegal expenditures since they were made from funds voted for Conservation Authorities.

A specific example of a grant to a municipality was drawn to the attention of the Ministry for their comment. The Ministry has advised us that, in their opinion, the grant was not an illegal expenditure because Management Board of Cabinet was aware that such payments were made under The Parks Assistance Act in the Estimates category of Vote 1802-7, Conservation Authorities, "Other Capital Grants", and had approved the classifications and the purposes of the amounts shown in the Estimates for 1972-73. The Ministry further advised that steps were taken to clarify the item as "Municipal Parks Assistance" in the 1973-74 Estimates and that directions have been given to assure further clarification in 1974-75.

**100. Revenue, Ministry of Natural Resources.** Observations and recommendations arising from an audit of the revenue records of the Ministry of Natural Resources were set forth in a memorandum to the Ministry. Some of the more significant items are repeated herein in the following paragraphs.

A review of the outstanding Acreage Tax accounts which totalled \$974,025 at January 31, 1973 indicated that approximately 30 per cent of the balances were at least twelve months overdue and that in many cases the lands are subject to forfeiture action. The percentage of accounts in arrears has increased by nearly 6 per cent since the date of the previous audit. It was stated that this situation had, in all probability, arisen because a shortage of staff in the Lands Administration Branch had severely restricted the time available for title searching in the Land Registry Offices. It is felt that the existing field staff of the Ministry should be utilized to perform these title searches and other necessary field work to permit forfeiture actions to be taken when required.

One of the major factors in the assessing of mining tax is the amount at which the mine assessor appraises the value of output at the pit's mouth. The prior audit report on the former Department of Mines and Northern Affairs, in commenting on the discretionary powers given to the mine assessor in this regard stated that the methods of appraising the pit mouth value of output of mines have been set and practiced for a number of years. The recommendation was made that certain of these methods common to all situations should be stated in The Mining Tax Act or the Regulations made thereunder. This recommendation



was not fully adopted during the period under review. The Mining Tax Act, 1972 which came into effect on December 15, 1972, permits the Lieutenant Governor in Council to make Regulations prescribing, among other things, the matters the mine assessor shall take into consideration and make allowance for in appraising the value of output at the pit's mouth. It is understood that a proposed draft of this Regulation is under consideration by the Ministry.

The previous Act required an annual tax roll to be prepared and submitted to the Minister for authentication by his signature as being the roll for the year. The purpose of this procedure, apparently, was to indicate Ministerial approval of the decisions made by the mine assessor. It was noted that the new Act does not contain this requirement.

In 1966 one taxpayer placed an amount of \$50,000 on deposit with the Ministry respecting the Mining Tax payable on his 1965 operations. The assessment for that taxation year, however, was delayed until 1970 by appeals and subsequent court cases. When the final assessments were eventually issued for the 1965 and following years the Ministry overlooked the \$50,000 deposit. The taxpayer was billed and paid the full amount of the tax assessed as well as an interest penalty on the late payment. This overpayment was brought to the attention of the staff concerned at the time of the audit and the deposit of \$50,000 was refunded after the overpayment had been confirmed by the taxpayer. The failure of the Ministry to take this deposit into consideration when assessing the taxes payable also resulted in an overstatement of approximately \$11,250 in the interest charges levied against the taxpayer. No decision had been made regarding the excess interest charge at the termination of the audit.

Section 12 of Regulation 696 made under The Provincial Parks Act states, in regard to camp-site permits, "Where a permit is surrendered before its expiry, the permittee is not entitled to a refund. O. Reg. 61/70 S 12." During the course of the audit it was noted that numerous refunds of permit fees were given by the Main Office of the Ministry despite the restrictions imposed by section 12. If this refund policy is to continue, the related legislation should be amended accordingly.

The various water power leases in effect, with the exception of those arranged with The Hydro-Electric Power Commission of Ontario, are administered by the Ministry of Natural Resources, but the rentals received are transferred to the Ministry of Treasury, Economics and Intergovernmental Affairs at regular intervals and form a part of the total revenue at this latter Ministry.

Comment was made in the report to the Minister on the prior audit of the former Department of Lands and Forests concerning the proposed change in the rates to be charged for water power leases and the inconsistencies that were noted in the charges and payments under these leases. This situation had not changed during the current audit period. The majority of the leases which had expired a number of years ago still had not been renewed or replaced. During the period under review some lessees continued to pay rents in accordance with the rates shown by the expired leases, some lessees paid at the revised rental rates and some lessees did not make any rental payments at all. The same type of inconsistencies were also noted in the rental charges made in the accounts receivable records.



On April 27, 1972, The Water Powers Regulation Act, under which these leases had been issued, was repealed. It is understood that a special committee has been set up by Management Board of Cabinet to review all aspects of water power leases but that its report has not yet been presented. The legality of rental collections in the absence of Legislative Authority is questionable.

Comment was made in the prior audit report to the Minister on the former Department of Lands and Forests concerning the problem in attempting to maintain fishing and hunting licence issuers' accounts on a current basis. This situation has not been fully resolved. The accounts receivable from licence issuers consist of proceeds from sales and/or the value of unissued licences in the possession of the licence issuers. As at June 30, 1973, 36 of these accounts totalling \$148,303 which had been incurred at various periods from 1969 to 1972 remained unpaid. Efforts are being made by the staff to effect full settlement of overdue accounts, but in many cases registered letters sent from the accounts office have not had the desired effect.

The insurance coverage on licence issuers formerly provided by a bonding company was discontinued on March 31, 1972. Consideration should be given, at this time, to requiring all licence issuers to post a suitable deposit or fidelity bond with the Ministry to ensure the discharge of their financial obligations. It is also felt that any issuer who does not comply with the manual of licence-issuing instructions and fails to remit the proceeds from licence sales to the Ministry within the required time should have his authority to issue these licences cancelled.

**101. Interest Charges and Security Deposits Under The Crown Timber Act, Ministry of Natural Resources.** The Regulation under The Crown Timber Act states that interest at 8 per cent is charged on stumpage charges which remain unpaid after demand or due date. The due date referred to, however, is not defined or limited by the Regulation, but is currently set by Ministerial policy. The report on the prior audit of the former Department of Lands and Forests made comment on this policy and recommended that a definite time between billing date and due date should be included in the Regulation. The situation has not changed during the period under review. It is again recommended that the due date be fully defined in the Regulation. Similar comment was made in our Report for 1971-72 (section 113).

The Crown Timber Act and Regulation do not make any specific reference to security deposit requirements. All matters of this nature are presently governed by Ministerial policy. It is recommended that full details of security deposit requirements be set out in the Legislation so that persons concerned will be aware of the conditions under which deposits are required, the amounts of the deposits to be made and the circumstances under which these deposits may be forfeited. Such an action would ensure that security deposit requirements are applied in a consistent manner to all persons affected.

**102. Acquisition/Construction of Physical Assets, Ministry of Natural Resources.** Properties in the Wasaga Beach Park area were acquired by the

Ministry of Natural Resources during the year ended March 31, 1973. The vendors of the properties were paid by the Ministry of Natural Resources and the costs were to be transferred to the Provincial-Municipal Development and Services Program of the Ministry of Treasury, Economics and Intergovernmental Affairs. During the year the Ministry of Natural Resources expended \$1,940,353 for these properties and transferred all but \$151,355 to the above-mentioned program. In this period the Ministry also paid legal and other costs in connection with these properties totalling \$76,781 but did not transfer the charges. In the fiscal year 1973-74 journal entries were prepared transferring \$151,355 of the 1972-73 property costs to the Ministry of Treasury, Economics and Intergovernmental Affairs. Two errors resulted from the above accounting treatment.

1. Acquisition costs of Wasaga Beach properties in the amount of \$228,136 are included in the expenditures of the Ministry of Natural Resources in the 1972-73 fiscal year. No funds were appropriated to this Ministry for this specific purpose.
2. The expenditure of \$151,355 for land will be included in the Public Accounts in two separate years. It will be included with the expenditures of the Ministry of Natural Resources in the 1972-73 year as a result of the payments made on the purchase of the properties. The above amount will be included with the expenditures of the Ministry of Treasury, Economics and Intergovernmental Affairs in the 1973-74 year as a result of the journal entries which also credit the revenues of the Ministry of Natural Resources.

A review of cheques for the acquisition of properties processed during March 1973 revealed that a total of \$152,275 was spent on certain acquisitions of land where it was known that the proposed closing date would occur at the end of April or later. Amount due on closing for the purchase of property should be paid and recorded in the same fiscal year in which the title is conveyed to the Crown regardless of the timing of the offers to sell and their acceptance.

### 03. Loans Under The Fisheries Loans Act, Ministry of Natural Resources.

The Fisheries Loans Act provides for the granting of loans to persons carrying on the business of commercial fishing or any other business dependent in whole or in part on the taking of fish from waters in which such taking has been prohibited by reasons of the contamination of fish resulting from pollution of the waters. Loans were made as follows since the Act came into force in 1970:

1970-71.....	\$432,236
1971-72.....	320,344
1972-73.....	145,081
	<hr/>
	\$897,661
	<hr/>

No loans have been fully or partially repaid up to March 31, 1973.

The program is administered by the Commercial Fish and Fur Branch with the Ontario Fisheries Loans Committee examining all applications and recommending to the Minister of Natural Resources the amounts to be loaned to

eligible applicants. Loans are made on approval of the Minister. The Ontario Fisheries Loans Committee was set up in 1970 by the Minister of Lands and Forests.

Each application for a loan must be accompanied by a statutory declaration regarding the business conducted by the licensee. Every loan is secured by a promissory note signed by the borrower. Loans are repayable on demand and subject to interest at  $9\frac{1}{2}$  per cent per annum after demand until paid.

The Government of Canada agreed to share in the loan program in 1970 and accordingly paid Ontario \$193,241 which was one half of the loans advanced to commercial fishermen in that year. The agreement also provided that one half of repayments received by Ontario less one half of the costs of collection would be remitted to the Government of Canada.

Loan records are maintained by the Financial Management Branch of the Ministry. An examination of the subsidiary records at the conclusion of the audit revealed they were not current. Confirmation letters were sent to 61 of the 134 borrowers and replies were received from 43 borrowers which represented 70.9 per cent of the total loans outstanding of \$897,661. The oldest loans now date back to 1970. Since collection becomes more difficult with the passing of time efforts should be made to collect these loans without delay.

The Ministry has advised us that:

"Subsidiary records of loans made were current, except that certain cheques had not yet been distributed and promissory notes for the amount undistributed had not yet been received in Financial Management Branch

We are now in process of completing a notes receivable ledger which will incorporate all of the same information now shown in our subsidiary records (annual lists of borrowers).

With respect to the collection of these loans, we wish to point out that the loans program was still in effect at March 31, 1973 and that in certain instances further loans have been made in this current fiscal year. The Government intended to lend the fishermen monies until their fisheries became viable again. It is extremely doubtful whether any of the fishermen involved, with only one or two exceptions, would be in a position to make repayment. They do not expect to be called upon to repay unless they are to receive compensation for their losses. It does not now appear that this will happen in the near future. It was initially believed that amounts loaned might be recoverable from the polluters and we are awaiting the outcome of the court case between Ontario and the (Company).

We will continue to explore recovery possibilities."

**104. Acquisition/Construction of Physical Assets, Ministry of Transportation and Communications.** An audit of the expenditure records of the Ministry of Transportation and Communications on the acquisition and construction of physical assets was performed during the year. A number of construc



tion contracts were reviewed using records available at head office and three district offices. Comments on our audit findings follow.

A contract included the relocation of facilities of the Etobicoke Hydro-Electric Power Commission during the reconstruction of Highway 401. Other contracts also bore some of this cost. Fifty per cent of the cost of this relocation is chargeable to the Etobicoke Hydro-Electric Power Commission. Charges totalling \$93,697 were invoiced to the Commission between October 1971 and March 1972. This amount is still outstanding. It is understood that the approval of the Ontario Municipal Board must be obtained where the cost of materials used is to be shared. The Commission has refused to pay the invoices in question, until the approval of the Board has been obtained. It is also the Commission's contention that it is the Ministry's responsibility to obtain this approval. It would appear that no action has been taken in this regard. Consequently, this account is long overdue. Steps should be taken immediately to obtain the necessary approval in order that collection of this account may be achieved. The Ministry has advised us that they now have taken the necessary steps to resolve the problem.

Some weakness in control over recoverable items on contracts was noted. For example, an internal audit report on a District dated August 8, 1972 indicated that an amount of \$797,588 had not been invoiced on a contract although it was three years since construction had been completed. It is suggested that consideration be given to having a person, with a good knowledge of accounting and construction contracts, accept responsibility for maintaining a proper control over all recoverable items on contracts. The Ministry has advised us that a review of procedures has been undertaken and new procedures have been developed which, it is believed, will greatly reduce the risk of recoveries being overlooked in future.

Under section 91(2) of The Public Transportation and Highway Improvement Act the Minister and any municipality may enter into agreement for the acquisition of land required for and for the construction, maintenance and operation of an expressway or freeway that has been or is proposed to be designated as a controlled-access road or highway under the Act. According to a letter dated January 22, 1968, from the then Minister of Highways to the Mayor of Ottawa, it was stated that the Department was prepared to enter into an agreement with the City of Ottawa on a 75:25 cost sharing basis at the earliest possible date. The Ministry has paid \$500,760, mostly in 1970-71, for its share of property acquisition for the proposed South West Freeway. No agreement has been signed between the parties concerned. The Ministry has advised us that the advent of the Regional Municipality of Ottawa-Carleton in 1968 and the uncertainty as to the outcome of the Freeway contributed to the delay in executing such an agreement.

Property payment cheques are requisitioned by the Regional Offices in advance of closing. The cheques are then sent to the respective regions to await completion of the transaction and release to the vendor. Unforeseen delays occur in some transactions, which have necessitated the holding of cheques for long periods. Inquiries revealed that cheques up to six months old were being held in the regions, and some cheques dated prior to April 1, 1972 were held in the Financial Branch. It was also learned that some cheques issued in the 1972-73 year would not be released to the vendor by the fiscal year end, due to inability to close the

transaction. As a result, property purchases would be charged to the appropriation of one fiscal year, when in fact the transfer of the property to the Ministry would not take place until well into the ensuing fiscal year. After discussion with the Financial Comptroller, it was decided that, to rectify this matter, all property cheques dated March 31 and prior, should be returned to the Financial Branch for cancellation, if it was found that the transaction would not be completed by the date of closing the books of the Province for each fiscal period.

**105. Transfer Payment, Ministry of Transportation and Communications.** Section 87a (4) of The Public Transportation and Highway Improvement Act provided for payments to municipalities of 50 per cent of their expenditure properly chargeable to subway construction. An additional payment of \$80,55 was made to a municipality in March 1973 in anticipation that the rate would be raised to 75 per cent on contracts awarded and equipment and materials purchased with prior approval on or after December 1, 1972. The amendment to the Act was passed by the Legislature in June 1973 and came into force on July 22, 1973.

**106. Improper Collection of Fees, Ministry of Transportation and Communications.** Fees payable to the Motor Vehicle Accident Claims Fund (MVACF) on the issue or renewal of a driver's licence are collected by the Registrar of Motor Vehicles through his licence issuers and transferred to the Fund at regular intervals. The fees collected in this manner are authorized by section 2(4) of The Motor Vehicle Accident Claims Act, R.S.O. 1970, which states:

"2(4) Upon the issue or renewal of a chauffeur's licence or operator licence under The Highway Traffic Act, there shall be paid to the Fund by the person to whom the licence or renewal is issued such fee as may be prescribed by the Lieutenant Governor in Council. 1961-62 c. 84, s. 2(4)."

Prior to July 1, 1972 the fees payable under this section were set by section 1(1) of Regulation 612, R.R.O. 1970, to be the same as the fee prescribed for the issuance or renewal of the driver's licence of the person under The Highway Traffic Act. At this time the prescribed fee was \$3 for a three-year renewal of driver's licence by Regulation 418 made under The Highway Traffic Act. On July 1, 1972, by authority of Ontario Regulation 198/72 under The Highway Traffic Act, the fee for the renewal of a driver's licence was increased to \$6. With effect from the same date, the fee payable under section 2(4) of The Motor Vehicle Accident Claims Act was changed by Ontario Regulation 291/72 to \$1.

Up to June 30, 1972, the proper fees of \$6, based on \$3 for the licence and \$3 for the MVACF, were being collected on the renewal of a driver's licence for a three-year period. Since July 1, 1972, a combined fee of \$9, consisting of \$6 for the licence and \$3 for the MVACF, has been charged for such renewals. Although the fees charged subsequent to July 1, 1972 were apparently consistent with the intent of the Ministry concerned, they were not made in accordance with the amended Regulation.

Technically, \$2 of the \$9 fee charged for each three-year renewal subsequent to June 30, 1972 has been collected and transferred to the MVACF without legal authority. It is estimated that the extra \$2 levy has been generating additional payments into the MVACF on and after July 1, 1972 at a rate exceeding \$2 million per year. (For further comments on the MVACF see section 84).

A similar situation existed with regard to the issue of an original or renewal licence for a period other than three years. In these cases, a fee of \$1 per year, applied to the term of each licence or renewal issued, was collected for the MVACF. No monetary assessment of this situation was made at the time of our review.

The matters described in this section were brought to the attention of officials of the Ministry and are now under their review.

**107. Revenue, Ministry of Colleges and Universities.** Observations on findings disclosed by our audit of the revenue and trust fund records of the Ministry of Colleges and Universities are set out in the following paragraphs.

Students at Registered Nursing Assistants Schools are charged a tuition fee of \$150 which is remitted directly to the Ministry. There does not appear to be any statutory authority for this charge. The revenue from this source for the five months ended August 31, 1972 amounted to \$36,000 and it is felt that the fees chargeable for these courses should be incorporated in the pertinent Regulations.

A registration fee of \$10 is payable on each application for approval as a salesman of courses of instruction offered by a trade school, and a pre-numbered certificate of registration is issued upon receipt of the prescribed fee. The unissued certificates for the year 1971 had been destroyed prior to the audit and, as a consequence, the reported revenue of some \$10,000 from this source could not be completely verified.

The Government of Canada pays the Ministry an agreed service fee for each Certificate of Eligibility processed under the Canada Student Loans Plan. The records and procedures in effect within the Student Awards Branch do not permit comparison to be made between the number of certificates issued by the Ministry and the total service fee paid by the Government of Canada. As a result it was not possible to verify the accuracy of the annual revenue of approximately \$230,000 from this source.

**108. Administrative Expenditures, Ministry of Colleges and Universities.** Observations and recommendations arising from our audit of Administrative Expenditures of the Ministry of Colleges and Universities are set out in the following paragraphs.

At the time of our examination the inventory of Ministry vehicles did not include a 1970 sedan which had been driven by the former Deputy Minister. It is our understanding that this passenger automobile is presently on loan to the Ministry of Transportation and Communications and is being used as part of their pool of passenger automobiles. A new car was purchased for the Deputy Minister on April 11, 1973. The 1970 sedan could not be sold or traded as the



requirements of Management Board of Cabinet directive re "Purchase and Disposal of Motor Vehicles" had not been met.

Members of the Commission on Post-Secondary Education were issued dictating machines. Since this Commission has submitted its report, it is understood that these machines will no longer be needed by the members for Commission business. Apparently, limited effort was made to recover these items and eight machines had not been returned to the Ministry at the time of our examination. A more determined effort by the former Chief Administrative Officer of the Commission on Post-Secondary Education is recommended to effect return of the Ministry's property.

It is the practice of some groups associated with the Ministry of Colleges and Universities to make frequent use of hotels as locations for their meetings. As there are four conference rooms located in the Ministry premises, and twenty rooms of various sizes, located in the adjacent Macdonald Block, it is not understood why it is necessary to hold meetings, lunches and dinners, at considerable public expense, in various hotels in Toronto. An examination of the records for the period December 1, 1972 to March 31, 1973 disclosed nineteen functions which were held at hotels and clubs in Metropolitan Toronto by various groups connected with the Ministry. The total cost of these meetings which included room charges, meals and refreshments was in excess of \$11,000. In view of the fact that travel expense and honoraria must also be considered in connection with these functions, it is felt that a considerable reduction in cost could be realized by utilizing Government facilities and controlling expenses.

The Ontario Council of Regents for the Colleges of Applied Arts and Technology convenes every second month at Queen's Park. On these occasions the Chairman of the Council, who lives in the vicinity of Toronto, acquires accommodation for two nights at a downtown hotel. The explanation given for this custom was that this room is also used as a "hospitality" room. However, in our opinion, the need for such an expenditure is still questionable.

**109. Transfer Payments, Ministry of Colleges and Universities.** Observations and recommendations arising from our audit of Transfer Payments of the Ministry of Colleges and Universities are set out in the following paragraphs.

Purposes for which funds are disbursed by this Ministry on an annual basis include the following:

- Grants to Colleges of Applied Arts and Technology for operating costs
- Grants to Universities and related organizations for operating costs,
- Stipends for students at Schools for Registered Nursing Assistants,
- Grants for Adult Training,
- Grants in respect of Industrial Training,
- Grants and awards to students.

A Regulation has not been provided under The Ministry of Colleges and Universities Act to prescribe the requirements for the payment of these grants. Moneys voted are distributed on the basis of policy and formulae established by

the Ministry. It is felt that the terms and conditions of programs of this size and complexity should be clearly set forth in the Act or Regulations.

Overpayments of grants to Colleges and to Universities for operating costs in prior years were deducted from the amount of the grants payable in respect to the 1972-73 fiscal year. This procedure has the effect of understating the total of the actual grant expenditure made during the year or making a corresponding additional amount of money available for distribution. It is felt that all funds disbursed in the form of grants should be recorded in their gross amounts and that adjustments of overpayments should be recorded as recoveries of prior year's expenditures.

A major difficulty inherent in the present administration of the Ontario Student Awards Program is the necessity of relying to a great extent on the information supplied by the students in their applications for assistance and the initial scrutiny and editing of this information by Student Awards Officers operating at the various Colleges and Universities. A low percentage of these applications are subject to review by the Verification Section of the Student Awards Branch in the Ministry after they have been processed for payment. The volume of the submissions does not permit this Section to make a detailed examination of each application received.

A report submitted to the Director of Students Awards by the Verification Section for the 1972-73 fiscal year indicated that 40 per cent of the applications reviewed by the Section contained one error or more and that 90 per cent of the errors discovered resulted from inaccurate information given by the students and mistakes made by the Student Awards Officers. The report also revealed that as a result of the verification activities performed by the Section, recommendations were made to increase some awards by a total of \$29,447 and to decrease a number of other awards by a total of \$501,564.

The monetary cost of grants made under the Ontario Student Awards Program would indicate that positive steps should be taken to ensure that applications for assistance are subject to a more extensive review.

It was noted that during the 1973-74 year, officials of the Ministry and of the Province of Ontario Council for the Arts have reviewed the cash flow requirements of the Council. Such a review is most opportune as we understand that during the 1972-73 year the Council was in a position to place grants received on deposit to earn interest. For further comment see section 137.

**110. Costs of Commission on Post-Secondary Education, Ministry of Colleges and Universities.** According to information obtained from the records of the Ministry, the total cost of the Commission from the inception to the time of our examination amounted to \$1,495,915. The report of this Commission entitled "The Learning Society" was published in both English and French. It is understood that more than 25,000 copies of the report were printed at a cost in excess of \$50,000. The records of the Ministry showed that most of the copies were printed in March 1973 and that 17,264 copies were on hand as at July 13, 1973.

The Commission on Post-Secondary Education was appointed by Order in Council 1398/69 dated April 10, 1969. The payment of expenses and remuneration of the members of the Commission was authorized by Order in Council 4202/69 as follows:

- “(a) Members of such Commission shall be entitled to travelling and other necessary expenses, and
  - (b) members of such Commission shall be entitled to a per diem allowance of \$60,
- while attending meetings or engaged in the work of such Commission.”

Per diem allowances paid to the thirteen members of the Commission from inception in 1969 to March 31, 1973 totalled \$138,830. An analysis of allowances paid in this period showed that one commissioner, not the Chairman, was paid \$34,980 or 27 per cent of the total. It was noted that this commissioner's claims included payments for per diem allowances for Saturdays, Sundays and public holidays.

Expense claims submitted by commissioners totalled \$51,016 in the period from inception in 1969 to March 31, 1973. The commissioner referred to in the above paragraph incurred expenses totalling \$23,935 in this period and this amount represented 47 per cent of the Commission's total expense claims. Claims submitted by this commissioner were tested and instances of missing receipts and duplicate charges for meals and taxis were noted. Substantial charges for meals on Saturdays, Sundays and public holidays were also noted.

Items of expense included trips by members of the Commission to the United States, Mexico, Europe and the Orient at a total cost of \$16,227, and an experiment in recording Commission meetings on video tape, cost \$15,450.

The actual expenditures of the Commission on Post-Secondary Education in the fiscal year 1972-73 totalled \$293,694 compared with the estimated amount of \$80,200. Two Management Board Orders totalling \$171,300 were obtained to provide sufficient funds in the Advisory Committees Program for the expenses of this Commission. The Commission ceased to function prior to March 31, 1973 but two charges covering the printing costs of the French version of the Commission's Report were not paid in that fiscal period. The Ministry charged \$3,899 of this cost to the Ministry Administration Program—Common Services in June 1973. This amount, along with a second charge of \$11,422 which had not been dealt with at the time of our examination, should be referred to Management Board of Cabinet for approval as no funds were provided for this Commission in the 1973-74 estimates.

In our opinion the administration of the expenditures of the Commission on Post-Secondary Education was inadequate. Guidelines controlling remuneration and expenses paid to members should have been established and enunciated at the commencement of the Commission. All claims for remuneration and expenses should have been more carefully reviewed and full explanations obtained if they appeared excessive. Insistence on prompt submission of claims would have facilitated the checking and processing of payments.



**111. Transfer Payments, Ministry of Community and Social Services.** An audit of Transfer Payments of the Ministry of Community and Social Services was made during the year. Some observations on our findings are commented on in the following paragraphs.

The amount of subsidy payable under The Day Nurseries Act is affected by the actual attendance of subsidized children at day nurseries. It was observed from a review of the internal audit reports of the Ministry that attendance records for some nurseries were incomplete or could not be produced for inspection by the internal auditors. It was also observed from the internal audit reports that one municipality did not have agreements with various day nurseries from which it was purchasing services although such are required under the Act when grants are paid to assist the municipality with the cost of such services. The situation with this municipality appeared, from correspondence, to have existed for some time. Also, it appears that agreements for purchasing day nursery services were not always current. The Ministry has advised us that, as a result of the internal audit reports, the individual situations have been rectified and subsidy adjustment made accordingly where required. The municipalities have been instructed to maintain duplicate copies of attendance records at the municipal offices. Current copies of agreements between municipalities and operators are now required to be filed with the Ministry, and payments are withheld until such copies are received.

Operating subsidies for charitable institutions and homes for the aged have increased substantially because Regulations made under The Charitable Institutions Act and The Homes for the Aged and Rest Homes Act were amended by adding provisions for "extended care services" as defined in the appropriate Regulations. These changes in the Regulations followed amendments to the above Statutes. Section 7a of The Charitable Institutions Act and section 29a of The Homes for the Aged and Rest Homes Act state that institutions are required to be authorized by the Director, in accordance with the Regulations, to provide extended care services. It was found, in the course of the audit, that no such Regulations have yet been passed although facilities providing and claiming subsidy for extended care services do have the approval of the Director. The effect of this procedure is that the remaining institutions that have not yet been approved by the Director to provide extended care services are unable to review Regulations used by the Director in reaching his decision. The Ministry has advised us that Regulations setting out the conditions and rules by which the Director approves individual institutions will be made.

Since there is not specific legislation for most grants payable under the Community Services Program, the Branches responsible for their administration have established certain criteria governing such expenditures. It was observed that the grant criteria differed from Branch to Branch and in one Branch a definite requirement was that the organization should have no other funding source for the proposal within the Provincial government. It appeared that the standards were not as rigid in other Branches where grants were paid to organizations which seemed eligible for assistance from other government ministries or agencies.

We observed that weaknesses in internal control existed in several areas, such as the recording and setting aside of accounts receivable for overpayments. It is understood that all systems and procedures are under review preparatory to the introduction of a post-audit of expenditures in the Ministry. It is further understood that a Manual of Administration and an Accounting Manual are partially completed or in the course of preparation. These manuals should help standardize procedures throughout the Ministry and facilitate the processing of all types of payments.

**112. Overpayment of Allowances, Ministry of Community and Social Services.** The budgeted expenditures for assistance in accordance with The Family Benefits Act for the fiscal year 1972-73 amounted to \$154,078,000. Payments of this assistance, and allowances in accordance with The Blind Persons' Allowances Act together with allowances under The Disabled Persons' Allowances Act, are incorporated in a monthly family benefits payroll. A review of these payrolls for the months of April and May 1972 showed that residents in institutions were paid increased allowances in anticipation of an amendment to the Regulations under The Family Benefits Act to provide for higher payments. However, this amendment was not made and in June 1972 allowances to residents in institutions reverted to the amounts paid in March 1972. Since these overpayments were deemed to be due to an administrative error, recovery was not sought from the recipients concerned but it was pointed out by officials of the Ministry that such action did not mean that recovery would not be considered at a later date. It was not possible to obtain details of these overpayments from the Computer Services Centre, but one of these officials indicated that some 2,200 recipients would be involved with each overpaid \$37 for the two months, making a total overpayment of approximately \$81,400.

The Ministry has advised us that "The excess payments of \$37 per recipient were made in anticipation of a change in Regulations. The change was required at short notice to match a change in budgetary requirements taking place with the introduction of Extendicare. From prior experience the Ministry had no reason to believe that the change in Regulations would not be approved. In this instance the submission was rejected by Management Board. As the excess payments from the recipients point of view, were made as a result of administrative error no steps have been taken to recover. The Director of the Family Benefits Branch is given discretion in the regulations whether to recover an overpayment, and his practice is not to attempt recovery of overpayments made as a result of administrative error."

**113. Payments Due Under Assigned Agreements, Ministry of Community and Social Services.** A special review was made of the procedures in effect for the recording and collection of amounts recoverable from deserting fathers and/or husbands, pursuant to court orders, to which the Ministry of Community and Social Services had entitlement by reason of the assignment of these amounts by recipients of allowances under The Family Benefits Act, 1966.

The Family Benefits Act, 1966, came into effect on April 1, 1967. Section 12(2)(k) of the Regulations made thereunder required the Family Benefits Branch to include as income, in the calculation of allowances for a recipient, any payments received with respect to an order made under The Deserted Wives' and Children's Maintenance Act, an order or agreement under The Child Welfare Act or any agreement made between the mother and the putative father of a child born out of wedlock.

In order to avoid undue hardship to recipients and beneficiaries of allowances, applicants and beneficiaries were given the option to assign their monetary rights under a maintenance order or agreement to the Ministry of Community and Social Services. In consideration of this assignment, the Ministry, through its Family Benefits Branch, undertook to pay the full entitlement under The Family Benefits Act, 1966, to the deserted family. It was noted, however, that neither The Family Benefits Act, 1966, nor The Deserted Wives' and Children's Maintenance Act contained any provision regarding the assignment of the monetary rights of the deserted family to the Ministry of Community and Social Services.

An attempt was made to determine the total value of the outstanding payments due under court orders to which the Ministry had entitlement by reason of the assignment of these payments by recipients of Family Benefits Allowances.

This information could not be obtained from the Ministry records because of procedural changes that had been put into effect in August 1971. A request was then directed to the various Juvenile and Family Courts to provide a record of all court orders issued where payments had been assigned to the Ministry, and to indicate the total payments due under these court orders that were in arrears at March 31, 1973.

Listings provided by the courts set out the total overdue payments required under each of these maintenance orders but the portions of the arrears on which the Ministry had a claim had not been calculated. Accordingly, a random sample of approximately ten per cent of the 6616 maintenance orders listed by the courts was selected for a detailed examination. These cases were reviewed in conjunction with the related Family Benefits files to ascertain the total overdue payments on the court orders and the portions of these arrears that were applicable to the periods when the deserted wives or mothers were receiving Family Benefits Allowances.

The total arrears on the selected court cases amounted to \$825,875 at March 31, 1973, and of this amount the Ministry of Community and Social Services had entitlement to \$716,180 by reason of the assignment agreements. If this ten per cent sample were projected to one hundred per cent, the overdue amounts would exceed \$8 million and \$7 million respectively. This projection can only indicate the approximate value of the arrears, however, and should not be construed as representing the total overdue amounts that could accrue to the Ministry.

The accounting records and related activities currently in effect within the Ministry are not considered adequate to provide a satisfactory measure of control over moneys recoverable under assignment agreements. Recommendations for the improvement of records and procedures as well as other observations and com-



ments arising from the review were set out in a memorandum to the Deputy Minister dated October 23, 1973.

**114. Administrative Expenditures, Ministry of Education.** An audit of the Administrative Expenditures of the Ministry of Education was completed during the year. Some observations on our findings are set out in the following paragraphs:

The Manual of Administration requires that all ministries adhere to the following procedure before engaging the services of outside consultants:

"All proposed projects in excess of \$10,000 require advance approval by Management Board, even if funds are available in an existing appropriation."

This approval was not obtained in the following three cases:

- (a) review of regional office structure \$61,007;
- (b) study of financing of elementary and secondary education in Ontario, \$40,000;
- (c) study of the salaries and fringe benefits within elementary and secondary education in Ontario, \$57,273.

The Ministry has advised us as follows:

In the case of (a) the review was a joint undertaking with the Committee on Government Productivity. The staff named by the Committee were consultants. Given the nature of the arrangement and the approach taken, it was not considered necessary to make a submission to Management Board of Cabinet in this particular instance. In the cases of (b) and (c) the studies were undertaken by the Committee on the Costs of Education under the terms of the Order in Council which set up that Committee and which granted to them, the power to engage consultants. It would appear that the Committee felt it was acting within its terms of reference and that an application to Management Board of Cabinet for approval was not necessary.

The publication entitled "Ontario's Educative Society" was produced under an agreement dated March 24, 1970 and amended October 15, 1970, between the Ministry of Education, the University of Toronto Press, and the author. The author signed the agreement for himself as the author and also on behalf of the Ministry of Education.

The total publication costs as indicated by an invoice dated December 8, 1972 was \$155,952. Revenue from sales to March 31, 1973 amounted to \$12,999.

Revenue from the sale of this publication is to be divided, according to the terms of the agreement, on the basis of 60 per cent to the Ministry of Education and 40 per cent to the University of Toronto Press. The agreement also provides for distribution of books free of charge.

It is considered important to account for all copies of this publication produced because of its substantial cost to the Ministry of Education. At the time of the audit, the Ministry had attempted to reconcile the number of books

distributed and on hand with the number produced, but, it was understood, the Ministry of Education had not received from the University of Toronto Press a statement of the number of each volume produced in the first printing. The Ministry has now advised us that a reconciliation, as recommended, has been made of the number of books paid for with the number of books on hand, the number of books sold and the number of books distributed free of charge.

No centralized fixed asset registers are maintained although it is understood that some operating branches keep fixed asset records. It is recommended that such records be developed encompassing the entire Ministry. Periodic checks with physical assets would be necessary. The Ministry has advised us that the central control record of fixed asset registers is being developed and that periodic checks of the branch inventory records against physical assets have always been made by the Internal Audit staff.

It was noted that the Internal Audit group of the Ministry reports directly to the Director of the Financial Management Branch. In order to provide the required degree of independence it is again recommended that the Internal Audit group report directly to the Assistant Deputy Minister, Administrative and Financial Services Division. The Ministry advised us that "We note your suggestion that the audit section should report to the Assistant Deputy Minister, Administrative and Financial Services, and would certainly accept that this section should not report to a Chief Accountant. However, so long as the function is substantially a financial one and with the re-organization undertaken in this Ministry we would not consider the present arrangement inappropriate *at the present time*. Effective control is maintained by the Assistant Deputy Minister through the review of all audit reports and the comments of branches reported upon. Unusual situations are brought to his attention immediately. Recommendations are made from time to time for changes in procedural and operational matters and these are referred back to Financial Management Branch for implementation."

**115. Recovery of Bursaries, Ministry of Health.** The awarding of a grant or bursary for post-graduate training in psychiatry is contingent upon a commitment by the applicant that he will work for a stated period of time, after graduation, in a designated area or in the employment of the Ministry of Health. If the recipient does not fulfill this undertaking or fails to complete the academic year of study or training for which the grant or bursary was given, the award, or a proportionate part of the award, is repayable to the Ministry together with interest thereon.

Bursaries for post-graduate training in psychiatry are administered by the Professional Services Branch. As part of the procedures, various certificates are to be forwarded to the Branch as evidence that recipients have satisfactorily performed the services stipulated in the related agreements. The Branch has been lax in obtaining these certificates. If a certificate was not received after the initial request, there was no follow-up action taken to ensure that the required evidence was eventually obtained. Instances were noted where the Branch had not requested these certificates of service even though periods in excess of two years

had elapsed since the recipient had completed his post-graduate training. As a consequence, it was not possible to determine that a proper accounting had been made for all bursaries provided by this Branch, or to ascertain the total amount that the Ministry should have recovered from recipients who did not fulfill the conditions relative to their grants.

During the course of the audit the files pertaining to persons who were granted assistance in the 1966-67 fiscal year were selected for a detailed review since the periods of training for these individuals should have been completed. The records indicated that fifty-one applicants had been granted bursaries totalling \$174,125 in that year. Of this number fourteen applicants had rendered the services stipulated in their agreements, four persons were still fulfilling their obligations, two individuals were repaying the total of their bursaries to the Ministry and one recipient had died. The files for the remaining thirty applicants, who had received combined bursaries amounting to \$97,750 did not contain sufficient information to indicate if any recovery action should have been initiated by the Branch.

The Ministry has now advised this Office that "... bursaries awarded prior to 1968 are being systematically reviewed to ascertain whether return of service has been provided, and, if not, the file will be referred to the Accountable and Collections Unit for consideration of action to recover the bursary money. The system for following up more recent bursaries has been reviewed, and closer and more intense follow-up initiated. For bursaries awarded since 1968, all instances where outstanding service or repayment exists are under active follow up. All others are either in the process of returning service, or steps have been taken to initiate collection proceedings."

**116. Inadequate Accounting Procedures and Controls, Mental Health Centre, Penetanguishene.** The prior report to the Minister of Health on an audit of revenue and trust funds at the Mental Health Centre, Penetanguishene made comment on the weaknesses and lack of internal controls in the procedures then in effect at the Institution. Suggestions were made at that time to improve the security over cash funds.

Despite the comments contained in that report, a subsequent audit of the Institution records to September 30, 1972 revealed that there had been no positive action taken by the administration to improve the accounting records and practices in use. During the course of the most recent audit an examination of the Regional Therapy Canteen operations indicated that a substantial cash or stock shortage had arisen during the period under review. The deficiency was drawn to the attention of officials of the Institution and the shortage was pursued further by the Audit Services Branch of the Ministry and the Ontario Provincial Police. It is understood that a charge has been laid in this respect.

Information on the discrepancy as well as further comments on the continued inadequate accounting procedures and controls of this Institution were fully detailed in a report to the Minister of Health on January 26, 1973. It was felt that this lack of internal control and inadequate supervision contributed directly



to the shortage of canteen funds or stock and permitted this shortage to remain undetected.

**117. Delay in Reimbursement From 1972-73 Appropriation, Ministry of Health.** In June and July 1973, one hundred and sixty eight requisitions for reimbursement to the Ministry's Accountable Advance for the cost of drugs and professional services supplied to residents of licensed nursing homes were received for pre-audit. An analysis of these requisitions which totalled \$786,605 disclosed that all pertained to billings from pharmacists dated prior to April 1, 1973 including more than \$200,000 dating back to 1972. Since reimbursement was made in June and July 1973, expenditures of the Ministry of Health for the year ended March 31, 1973 were understated by the amount of these requisitions.

The Ministry has advised this Office that the timetable for receiving and processing claims is more than two months, due, in part, to the use of temporary help and the time required to check professional fees. Improvement in this timetable is anticipated when the Study Team on the Supply of Drugs to Nursing and Other Homes reports its findings in December 1973.

**118. Duplicate Payment, Ministry of Health.** A review of payments made to suppliers was undertaken in June, 1973 as a supplement to our regular pre-audit of expenditures. The examination revealed that an invoice from one supplier in the amount of \$24,165 had been paid on March 30, 1972 and that this payment had been duplicated on March 31, 1972. This duplication was not revealed during the pre-audit activities because the copy of the invoice submitted for the second payment contained a certificate from the Ministry staff that the invoice had not previously been submitted for payment. This matter was drawn to the attention of officials of the Ministry during the course of the review and the overpayment was ultimately recovered from the supplier in July 1973.

**119. Understatement of Revenue and Expenditure, Ministry of Health.** The Health Insurance Act, 1972 was given Royal Assent on June 23, 1972 and was deemed to have come into force on April 1, 1972. The provisions of The Health Insurance Act, 1972 included the repeal of The Hospital Services Commission Act and the appointment of the Minister of Health to succeed the Ontario Hospital Services Commission. However, as a result of the time interval between the effective date of the legislation and the date of Royal Assent, the Ontario Hospital Services Commission continued to operate as a Commission until June 22, 1972. Funds on hand at March 31, 1972, and funds subsequently received by the Commission totalled \$11,341,508. After payments to hospitals totalling \$5,152,415 were made, a balance of \$6,189,093 remained. Since the Minister of Health was the successor to the Commission under The Health Insurance Act, 1972, this balance should have been remitted through the Ministry of Health to the Treasurer of Ontario. Only \$2,502,000 was so remitted. The remainder of \$3,687,093 was retained in bank accounts outside the Consolidated Revenue Fund. This amount was still being held in this manner at the time of our audit in September 1973.

As a result of the retroactive feature of the new legislation, and the above outlined sequence of accounting events, the revenues and expenditures of the Ministry of Health for the 1972-73 fiscal year were understated by \$8,839,508 and \$5,152,415 respectively.

**120. Premium Revenue, Ontario Health Insurance Plan, Ministry of Health.** The Ontario Health Insurance Plan (OHIP) was established by The Health Insurance Act, 1972 which continued insurance against the costs of insured health services available to all residents of Ontario formerly provided under the Ontario Health Services Insurance Plan (OHSIP) and the hospital care insurance plan.

Responsibility for the receipt and recording of premiums under the Ontario Health Insurance Plan was transferred to the Ministry of Health on April 1, 1972. Prior to that date these functions were performed by the Health Insurance Registration Board. During the period of its responsibility the Board maintained control ledgers that contained information respecting receipts, earned premiums and other related matters. No entries had been made in these ledgers since they were transferred to the Ministry. As a consequence it was not possible during the audit to reconcile the total of the cashier's monthly summaries of premium collections to the related revenues recorded by the Ministry of Treasury, Economics and Intergovernmental Affairs for the period from April 1, 1972 to January 31, 1973. Since the average monthly receipts from premiums are approximately \$41 million it is considered essential for the accounting staff of the Ministry of Health to complete the entries in their control ledgers without delay and to reconcile the amounts received by the Ministry with the records of the Ministry of Treasury, Economics and Intergovernmental Affairs on a monthly basis. The Ministry has advised this Office that they are working on the 1972-73 records and that during the current fiscal year (1973-74) general ledger accounts have been posted recording premium receipts to date, and monthly reconciliations completed in respect thereof with the Treasury computer print-outs.

Regulations made under The Health Insurance Act, 1972, permit the General Manager to estimate the taxable income of applicants for premium assistance for the calendar year in which application is made for assistance. If the taxable income of a person is estimated to be nil, he is granted total premium assistance and receives insured status without any cost. If his taxable income is estimated to be within a stipulated range he is granted partial premium assistance and is only required to pay fifty per cent of the regular premium rate.

The projected value of this premium assistance, based on the Ministerial record of such contracts in force in January 1973, is estimated at \$28.5 million for a full year. Legislative authority has also been provided to the General Manager to grant persons temporary relief from the payment of premiums under certain conditions. The value of such assistance is estimated, on the same basis, to total \$2.5 million annually. Therefore, premium assistance of approximately \$31 million is being given annually by the Ministry on the basis of financial information provided by the applicants for assistance. Because of the monetary value involved, it is recommended that the Ministry of Health introduce sampling

techniques to check the accuracy of the financial information submitted by persons receiving these benefits.

The Ministry has advised "As noted, assistance is granted on the basis of an estimate of income for the calendar year in which the application for assistance is made. It is the opinion of the Director of our Legal Branch, based on the present wording of The Act and Regulations, that it is not feasible to use this information for purposes of prosecution for fraud, or even of recovery of any waived portion of past premiums. A recipient's estimation of his future taxable income, while it may be incorrect in some cases, is not necessarily dishonest. Our Legal Branch is currently reviewing The Act and Regulations for possible revisions which will meet the practicalities of the situation.

There are three distinct areas under review:

- (a) Coverage for senior citizens which represents 60%.
- (b) The premium assistance group which represents 20%.
- (c) The social assistance group which represents 20%.

Control aspects relative to each of these groups are currently being studied under the chairmanship of the ADM Finance and Information."

**121. Claim Payments, Ontario Health Insurance Plan, Ministry of Health.** In our Report for 1971-72 (section 148) mention was made of the large number of OHSIP claims for services provided up to March 31, 1972 which were received and paid after that date. As these claims were received the Central Agency processed them in accordance with the established procedures until about the middle of May 1972. At that time, as an administrative expedient, management elected to bypass the checking procedures. Claims processed were not exposed to any of the eligibility or claim history controls contained in the computer program. Claims received subsequent to the middle of May 1972 for services rendered prior to April 1, 1972 were processed without verification. While this procedure was effectively discontinued on February 14, 1973, the total of claims paid thereunder during the fiscal year 1972-73 exceeded \$13.6 million. An audit sample of these payments taken by the internal audit staff indicated instances of claims paid twice and even three times in error, and this was substantiated in the course of our audit. However, the most notable deficiency in the system was the payment of a claim without confirming that the recipient of the rendered health service was an "insured person". Under OHSIP legislation only services rendered to "insured persons" were eligible for payment. We would stress, however, that the claims in question may well have been on behalf of "insured persons". The point we are making is that the computerized validation system, previously determined to be necessary, was bypassed.

The OHSIP legislation was repealed as of April 1, 1972 and new legislation establishing the Ontario Health Insurance Plan (OHIP) became effective on that date. Under OHIP legislation also only services rendered to "insured persons" are eligible for payment. We observed that certain OHIP claims were being paid without confirming that the recipient of the rendered health service was an "insured person". Under OHIP procedures in use during the 1972-73 fiscal year,



the information contained on each claim was compared with the data on the "eligibility file" maintained in the computer which includes assigned number, name, status and the effective date for each contract. Any claim failing to meet the requirements of the eligibility checks should have been rejected pending further investigation of the claimant's entitlement to insured services. However, any claim which failed these eligibility checks, and which was payable to a medical practitioner, was allotted a distinguishing "error code" classification and was allowed to proceed through the system.

Computer print-outs were prepared on a regular basis showing the number of claims which had been paid under the above system classified by the various "error codes" established for eligibility checks. These print-outs indicated that approximately 2 million OHIP claims, amounting to an estimated \$20.9 million, were paid under this system during the 1972-73 fiscal year without confirming that the recipient of the rendered health service was an "insured person". Here again, it is pointed out that these claims may well have been on behalf of "insured persons" but it is disturbing to observe that the computerized validation system had been bypassed to effect payment.

Relevant to the foregoing, the Ministry has advised us that:

"The original Steering Committee . . . charged with establishing the combined Plan agreed that as a policy, payments to 'opt-in' physicians should be made even if an eligibility problem existed provided the physician believed the patient to be insured. The follow-up was to be between the Plan and the patient. This recognized the fact that virtually 100% of the population was insured, and the problem often resulted from the provision of inaccurate information or the necessity for retroactive adjustments. It was also noted that bad debts related to hospital services were, and are recognized by the Province.

During the first year of operation other priorities did not permit a full follow-up of these recording problems. A test indicated most would have been eventually paid if the follow-up in adjustments had been made. However, beginning July 1973, all such claims are being returned to the District Offices, to attempt, as far as is practical, to have the problems corrected before payment is made. In those instances in which a review indicates a subscriber eligibility problem that will apparently not be resolved, the physician involved will be notified that future services under the applicable contract will not be paid by the Plan."

The "fee-for-service" payment system for insured services continues to incur overpayments partly because the quality of the input information submitted to it by physicians and subscribers is subject to only limited control by the Plan. The volume of claims is such, and there is too much inaccuracy in their content, to allow a computerized system to screen out all the errors and still operate effectively. In order to obtain some independent verification of claims paid, an audit letter system had been used by OHSIP, on a selected sample basis, to check the

accuracy of physicians' billings. The system was discontinued in July 1972 following the introduction of OHIP.

In April 1973 a similar payment verification system was introduced. The effectiveness of this system will be reviewed during our next audit.

**122. Transfer Payments, Ministry of Treasury, Economics and Intergovernmental Affairs.** Payments to those residents of Ontario who were entitled to a guaranteed income supplement from the Government of Canada were made under section 2 of The Residential Property Tax Reduction Act, 1972. Ontario Regulation 344/72 prescribed the date and form of application for additional benefit. The Ministry of Treasury, Economics and Intergovernmental Affairs disbursed a total of \$18,961,792 during the year ended March 31, 1973. An accountable advance was provided as in prior years and cheques were issued to eligible persons from this advance. An examination of the lists of cheques returned to the Ministry revealed that 2,173 cheques amounting to \$108,650 had been mailed to pensioners deceased in 1971 and nine cheques amounting to \$450 had been mailed to pensioners deceased in 1970. It was observed that duplicate payments had been mailed to 24 recipients. Our Report for 1971-72 (section 123) recommended, in part, that the computer program be reviewed to minimize the incidents of duplicate payments and that the updated records of the Ministry be compared in detail with the Department of National Health and Welfare records at the 1972 prescribed date.

Legislation establishing three municipalities authorized the payments of their expenditures during the year 1972, as approved by the Ministry of Treasury, Economics and Intergovernmental Affairs out of the Consolidated Revenue Fund. It was found during the course of our audit of the Ministry that expenditures totalling \$41,042 applicable to 1973 were paid in addition to those permitted under the acts incorporating those municipalities.

**123. Teachers' Superannuation Fund.** The situation with respect to the Teachers' Superannuation Fund is unchanged from that reported in our Report for 1971-72 (section 163). The actuarial report dated September 28, 1971 and subsequent actuarial correspondence dated November 30, 1971 indicate a deficit in the Fund of approximately \$282,000,000 at December 31, 1969. No report on the next valuation of the Fund required as at December 31, 1972 was received at the time of preparation of this Report.

## COMMENTS ON CROWN AGENCY TRANSACTIONS

**124.** The term Crown Agency for purposes of this Report includes Boards, Commissions, Crown Corporations and other operations which are audited by the Provincial Auditor on an annual basis. In most cases our audit responsibility is stipulated in the legislation under which the particular agency was established. A listing of these Agencies audited by the Provincial Auditor is included as Exhibit 7 to this Report.

In our Report for 1971-72 (section 142) comments were made regarding the reporting responsibilities of the Provincial Auditor as they pertain to Crown Agencies. The Standing Committee on Public Accounts, during the Third Session, Twenty-Ninth Legislature, discussed this matter and approved the method of reporting introduced in our Report of last year.

Pursuant to the provisions of The Audit Act and the expressed views of the Standing Committee on Public Accounts, the following matters relating to Crown Agency transactions are brought to the attention of the Assembly in this Report.

**125. Accountant's Office, Supreme Court of Ontario.** In our Report for 1971-72 (section 162) we pointed out that all accounting records and supporting legal and financial documents are kept in one location, and that, in the event of fire or other similar catastrophe, it would be extremely difficult to satisfactorily reconstruct these records.

During the course of our 1972-73 examination of the Accountant's Office we observed that this situation was unchanged. Therefore, we again recommended that pertinent records and documents be microfilmed at least annually, and that the films be stored in an off-premises location.

**126. Housing Corporation Limited.** Housing Corporation Limited was incorporated as a private company under The Corporations Act by letters patent dated April 29, 1948. The Corporation provides mortgage financing to developers and individuals with regard to housing projects undertaken by Ontario Housing Corporation. Funds required for mortgage financing purposes are obtained by way of advances from the Treasurer of Ontario.

Under section 13(3) of The Housing Development Act, the Lieutenant Governor in Council may authorize the Treasurer of Ontario to make advances to Housing Corporation Limited. However, in recent years advances have been paid out of moneys appropriated by the Legislature for this purpose. Since the Legislature would appear to have approved alternative procedures for the payment of advances to the Corporation, we recommended that the matter be reviewed to determine which procedure is preferred.

**127. The John Graves Simcoe Memorial Foundation.** The objects of the Foundation are outlined in section 6 of The John Graves Simcoe Memorial Foundation Act. One object is the acquisition, maintenance and preservation of Woflord Chapel as a historic site for the benefit of the public. Woflord Chapel



contains the remains of John Graves Simcoe and his wife. The Chapel is situated in the County of Devon in the Kingdom of Great Britain. A further object of the Foundation is to advance and disseminate knowledge of the works and the life of John Graves Simcoe.

The Minister who administers the Act is ex officio a director of the Foundation. The Act named three other directors and stipulated that their terms of office would be five years. The Act further stipulated that, with the approval of the responsible Minister, the named directors would appoint eleven other directors, and that the terms of office of such appointees would vary from three to five years. Upon the expiration of a director's first term of office, subsequent appointments to the position are to be for a five year period. All directors are eligible for reappointment. We were unable to find evidence in the Foundation's records regarding the date of, and Ministerial approval for, the appointment of the present members of the board of directors. Similarly, we were unable to determine their terms of office and relative expiration dates. Legislative requirements have apparently not been fulfilled.

A trust fund has been established for the objects of the Foundation. During the 1972/73 fiscal year receipts and disbursements totalled in excess of \$1,700 and \$2,300 respectively, leaving a balance in the fund of approximately \$31,800 as at March 31, 1973.

The accounting records relative to the fund are not adequately maintained. At the time of audit the cash book recording Canadian transactions had only been written up to July 31, 1972. We ourselves wrote up the cash book for the balance of the fiscal year in order that the audit could be completed. In addition, information relative to United Kingdom transactions was not made available until the latter part of October 1973. We had made several previous attempts to obtain this information but all had proven unsuccessful. Vouchers supporting disbursements made in the United Kingdom were not furnished and hence have not been examined. Communication of United Kingdom accounting data to the administrative office in Canada is sporadic and informal. Formal reporting on a regular (e.g. quarterly) basis is strongly recommended.

During the year ended March 31, 1973, the Foundation disbursed an amount of \$500 to a member of the board of directors. This disbursement was for the purpose of financing a trip to the United Kingdom in August 1972 for participation in a plaque unveiling ceremony honouring Mrs. Simcoe. No expense claim was submitted with respect to this trip. Hence, a relationship could not be established between costs incurred and cash disbursed.

**128. Legal Aid Fund.** The Public Accounts for 1972-73 indicate a contribution of \$11,262,000 by the Province to the Fund.

When a person applies for legal aid, his financial circumstances are reviewed to determine the amount, if any, he is able to contribute towards the cost of professional services applied for. The sum that a person is considered able to contribute is deemed a debt to the Law Society. Should a person who has agreed

to contribute to the cost of legal aid own land in Ontario, the Law Society may place a lien against such property on behalf of the Fund.

Where a person who has been given legal aid in any matter recovers any sum in respect of such matter under a judgment, order, settlement or otherwise, legal aid costs, namely fees and disbursements, are a charge against the sum recovered, and are to be deducted therefrom and paid into the Fund. In addition, the costs awarded in any order made in favour of a legal aid recipient are deemed to be the property of the Law Society and are to be paid into the Fund.

In our Report for 1971-72 (section 149) comment was made regarding the ineffective collection policy as evidenced by the increase over the years, in accounts receivable from clients and in amounts receivable re judgments. These receivables have continued to increase over the past year as indicated by the following analysis.

	<i>Accounts Receivable Clients</i>		<i>Amounts Receivable Judgments</i>	
	March 31		March 31	
	1973	1972	1973	1972
Balance, beginning of year.....	\$1,651,433	\$1,540,629	\$3,616,647	\$2,416,031
Add: new accounts and amounts.....	598,584	527,815	1,237,012	1,634,041
	<u>2,250,017</u>	<u>2,068,444</u>	<u>4,853,659</u>	<u>4,050,072</u>
Less: receipts for the year.....	490,541	405,773	424,488	408,626
approved write-offs.....	23,383	11,238	33,908	24,799
Total reductions.....	<u>513,924</u>	<u>417,011</u>	<u>458,396</u>	<u>433,425</u>
Balance, end of year (including credit balances).....	<u>\$1,736,093</u>	<u>\$1,651,433</u>	<u>\$4,395,263</u>	<u>\$3,616,647</u>
Receipts as a percentage of new accounts and amounts.....	81.9	76.9	34.3	25.0

From the above, it can be seen that collections are improving. However, they are still not keeping pace with new accounts and amounts being set up, with the result that outstanding balances continued to rise.

It should be noted that steps have been taken during the year to expedite the writing off of uncollectable accounts. Temporary staff have been hired to assist the credit department with the back-log of work. As a result, the volume of accounts referred to the Fund's collection agency has increased. Since it is the policy of the Fund to commence write-off action when an account has remained dormant for a period of six months after referral to the collection agency, the value of uncollectable accounts written off during the current year has increased. In addition to accounts physically written off during the year, accounts and amounts totalling \$42,200 had been approved for write-off by the Legal Aid Committee prior to March 31, 1973 but were awaiting final approval for write-off by the Minister of Justice and the Attorney General in accordance with section 98(2) of Regulation 557.

Additionally, steps have been taken to reduce the possibility of setting up

judgments for costs which are extremely doubtful as to collectability from the outset. Based upon the recommendations of a sub-committee of the Legal Aid Committee, solicitors are seeking approval under section 125 of Regulation 557 for the prior waiving of costs in divorce cases where the financial circumstances of the respondent do not warrant the awarding of costs.

We made recommendations in the following areas:

1. Continued checks should be made to ascertain if area directors are taking advantage of section 18 of The Legal Aid Act as to the registration of liens. Guidelines for the taking of liens were sent to all area directors in October 1970. It is our opinion that the existence of such liens is a good collection tool.
2. Several instances were noted where the report of the assessment officer indicated the applicant was able to contribute towards the cost of legal aid, but, when the certificate for legal aid was issued by the area director, the applicant was not required to contribute. It is realized that section 16 of The Legal Aid Act does not make it mandatory for the area director to follow the recommendations of the assessment officer. Nevertheless in drawing attention to this matter, it is our opinion that the overruling of the report of the assessment officer as to the applicant's ability to pay should be done with care. Further, we recommend that written reasons be supplied by the area director in all cases where the assessment officer's report is so overruled.

**129. The Legislative Assembly Retirement Allowances Account.** This Account is not considered a pension plan as defined under The Pension Benefits Act. It is, therefore, not subject to the reporting requirements relative to financial soundness, or to the funding stipulations, outlined in the regulations under The Pension Benefits Act. However, the Account possesses the essential elements of a pension plan. Consequently, it is felt that the financial soundness of the Account should be reviewed periodically, and that steps should be taken to liquidate any unfunded liabilities so disclosed.

In the course of audit it was noted that an actuarial valuation of the Account was made as at March 31, 1970. This valuation revealed an unfunded liability, or deficiency, in excess of \$5,225,000. No steps have as yet been taken to stabilize or liquidate this deficiency. It is likely, therefore, that the unfunded liability as at March 31, 1973 would be substantially higher than that reported as at March 31, 1970.

Contributions are being deducted from the salary payable to Parliamentary Assistants. The legislative authority for these deductions is not clear. Parliamentary Assistants are considered as members of the Executive Council by officials of the Ministry of Government Services. Consistent with this view deductions are being made as provided under The Legislative Assembly Retirement Allowances Act. However, section 1 of The Executive Council Act would appear to limit membership in the Executive Council to Ministers of the Crown. It is recommended that the matter be clarified and that any required legislative amendment be initiated.



A person who makes contributions under The Legislative Assembly Retirement Allowances Act, and who ceases to be a member before being eligible for an allowance, is entitled to a refund of his contributions with interest under section 13 of the Act. It was also noted that section 13 of the Act stipulates that interest is to be paid on refunded contributions at the rate of 6 per cent per annum. The account, however, is currently earning interest at the rate of 5 per cent per annum. This situation is somewhat anomalous and its review was recommended.

**130. Liquor Control Board of Ontario.** For the year ended March 31, 1973 the Liquor Control Board of Ontario established the policy of paying profits into the Consolidated Revenue Fund to the nearest \$100,000 of net profits. As in previous years, profits were transferred to the Consolidated Revenue Fund by weekly payments throughout the fiscal year. Payment amounts were geared to a schedule prepared on the basis of estimated profits and projected cash flow. We are advised that this policy and payment procedure were the result of an arrangement between the Board and the Ministry of Treasury, Economics and Intergovernmental Affairs. However, section 18 of The Liquor Control Act provides that the net profits of the Board be paid into the Consolidated Revenue Fund at such time and in such manner as the Lieutenant Governor in Council directs. As the policy and the procedure being followed have apparently not been authorized in the manner specified in the Act, the matter should be reviewed and rectified as soon as possible.

The profits of the Board reflected as revenue in the 1972-73 Public Accounts of the Province exceed by \$300,000 the payments to the Treasurer of Ontario on account of profits reflected in the 1972-73 financial statements of the Board. This excess amount was originally remitted to the Treasurer of Ontario by the Board with respect to 1972-73 profits, but was subsequently re-identified by the Board as with respect to 1973-74 profits. However, the accounts of the Province had been closed before this re-identification was made.

In our Report for 1971-72 (section 151) reference was made to the fact that the Board purchases virtually all of its warehouse stocks of Canadian wines and liquors on a "duty-paid" basis. It was recommended that the Board undertake an extensive review of this practice to determine whether any net interest savings would result from adopting an "in bond" basis of purchase. We were advised that this review had been undertaken and was expected to be finalized in the near future.

During the course of our audit we witnessed an opening procedure with regard to tenders on the construction of a new store. The following observations were made:

Tenders are deposited in a locked box located in the Properties Department. The box is secured by three padlocks. It is understood, however, that the keys to the three padlocks are kept in a filing cabinet in the office of the secretary to the general manager. It was noted that one of the participants in the tender opening obtained the keys and unlocked the box prior to the arrival of the other participants. It is recommended that control measures relative to the custody of the

keys be improved, and that at least two people at a responsible level be involved in the control function.

No contractors' representatives or members of the public attended the witnessed tender opening. We are advised that these bodies are seldom represented at the tender openings. In this connection it was noted that tender openings are scheduled for the day following the closing date for receipt of tenders. Possibly attendance at these openings could be improved if the openings were scheduled on the closing date, preferably immediately following the specified closing time.

**131. Northern Ontario Development Corporation.** The Corporation was established to encourage and assist in the development and diversification of industry in Northern Ontario. Measures include the provision of financial assistance by loan, guarantee or purchase of shares or other securities, and the provision of sites, equipment, premises, facilities and services.

Included in the financial assistance by way of loan are loans to persons establishing or substantially expanding any industrial undertaking in an area of equalization of industrial opportunity under section 5 of The Department of Trade and Development Act and its successor, The Ministry of Industry and Tourism Act, 1972. These loans are designated as performance loans and are subject to the approval of the Lieutenant Governor in Council. With his approval these loans may, under section 6(4) of The Northern Ontario Development Corporation Act, be forgiven in whole or in part. Performance loans are non-interest bearing.

The Act provides that "The moneys required for the purposes of this Act shall be paid out of moneys appropriated by the Legislature for the purpose". Funds required for performance loan purposes are paid in this manner. However, funds for other loans, designated as term loans, are paid out of moneys advanced to the Corporation by the Treasurer of Ontario with the approval of the Lieutenant Governor in Council. The Act makes no provision for the receipt of such advances by the Corporation.

In respect of loans made under the Act, section 6(4) stipulates that "the Ontario Development Corporation shall be deemed to be the creditor and The Ontario Development Corporation Act applies to the loan in the same manner as if the loan were made by the Ontario Development Corporation under the Act". By involving Ontario Development Corporation in this way, section 6(4) has served to complicate the administration and financial statement presentation of the loan disbursement activity undertaken by Northern Ontario Development Corporation. A similar observation was made in last year's report to the Corporation and to the Minister with the recommendation that the legislation be reviewed and the purpose of section 6(4) clarified.

The Development Corporations Act, 1973 passed third reading on June 22, 1973. The Act is to come into force on a day to be named by the Lieutenant Governor by his proclamation. As at the completion of our audit (October 4) the Act had not been proclaimed. Under the new legislation, The Northern Ontario Development Corporation Act is to be repealed, but the Northern Ontario

Development Corporation is to be continued as a corporation without share capital.

**132. The Office of the Official Guardian.** In our Report for 1971-72 (section 152) comment was made regarding the lack of up-to-date accounting records of The Office of the Official Guardian.

During the course of our audit for the year ended March 31, 1973 we observed that the general ledger had not been balanced each month, and at the time of our audit the postings in the general ledger for expenses were six months in arrears. We further noted that a detailed listing of accounts receivable for The Matrimonial Causes Act section had not been prepared at the year end or at any other time since the 1972 audit. Since such listings were not available, a great deal of additional time was required by our staff to complete this section of the audit. Unless such a listing is prepared on a monthly basis and agreed in total to the general ledger control account, errors and older uncollectable amounts may go unnoticed.

**133. The Ontario Educational Communications Authority.** In our Report for 1971-72 (section 155) comment was made on the deficiencies in the accounting procedures and internal controls observed in the conduct of our audit of the Authority for the year ended March 31, 1972. During the course of our audit for the year ended March 31, 1973, we were satisfied that necessary improvements had been adopted in many areas and that substantial improvements had been made in other areas. Comments relative to the latter areas follow.

#### *Banks and Accounts Receivable*

During the 1972-73 fiscal year the number of bank accounts was reduced from eight to four. The latter total includes a special account opened during the year pursuant to a Management Board Order to accommodate relocation disbursement activity. All of the accounts were reconciled as at March 31, 1973. However, during the year, and as at that date, it was noted that some further improvement was desirable with regard to the investigation of cheques which had been outstanding for a considerable length of time. Action has since been taken to effect this improvement.

During the year further instances were noted of payments on accounts receivable, involving relatively minor amounts, being incorrectly credited to income. In some cases such treatment is unavoidable since funds are received without any evidence of what the payment is intended to cover. However, the situation can be improved, and additional controls have now been instituted for this purpose by the Authority's finance area. It was also noted this year that lists of travel advances outstanding were being prepared and reviewed monthly, but, with the exception of October 31, 1972 and March 31, 1973, reconciliations of such totals to the general ledger were not completed. As at March 31, 1973, there was a minor difference between the subsidiary and general ledger accounts. Therefore, it is again recommended that reconciliations be completed on a monthly



basis, with the difference between general and subsidiary ledgers being accounted for, and any necessary journal entries as a result thereof being recorded immediately.

### *Inventories*

Recommendations made last year pertaining to the taking of year-end physical inventories were put into effect. Action has also been taken to safeguard tapes, films and certain technical and other portable equipment of the Authority against loss by theft by keeping such items in controlled areas.

During the latter part of our audit review it was noted that the development of a comprehensive perpetual inventory system for films and video tapes was in process. As is known, the basis for such a system already exists. It is hoped that the system now being developed will include the following controls:

- (a) maintenance of the perpetual records by employees other than custodian of the goods;
- (b) use of numerically controlled requisitions for deductions from stock.

As was mentioned last year, serious consideration should be given to expanding this system to include dollar values. Such a system, particularly if expanded to include work in process, would result in more meaningful monthly financial statements. Although relatively minor in amount, it is suggested that consideration also be given to the development of perpetual records for program support materials which are sold by the Authority.

Last year's report made mention of the fact that 3,987 Operation Moonvigil Kits were on hand as at March 31, 1972. At \$19.50 per kit this inventory totalled in excess of \$77,000. As at March 31, 1972, actual sales had totalled less than 50 per cent of anticipated volume. Accordingly, increased sales effort had been recommended in order to avoid a future write-down or write-off of obsolete or slow-moving inventory.

During the year ended March 31, 1973 sales reports indicate that an additional 249 kits were sold. The remaining inventory of kits totalling approximately \$70,000 was written off at March 31, 1973. It should be noted that very minor sales of these kits are still being made, hence affording some measure of cost recovery. For the two months ending May 31, 1973, 19 kits were sold.

### *Purchases and Accounts Payable*

Recommendations made in our previous report relating to purchasing and accounts payable practices have, for the most part, been adopted. Minor weaknesses still prevalent at March 31, 1973 are summarized below:

- (1) It was suggested that the quantity column be blocked out of the receiving copies of purchase orders in order to ensure an actual count of the quantities received. Unless there is a valid reason for not doing so, we recommend this suggestion be carried out.

- (2) In the majority of cases the Authority was still not taking advantage of cash discounts offered by various suppliers for prompt payment of accounts. Although relatively minor in amount, this procedure is considered an integral part of an efficient accounts payable system. This problem was discussed with management in June, and we are advised that further corrective action has since been taken in this area.
- (3) Problems were encountered by the accounting staff of the Authority in the operation of the open voucher system being used for accounts payable. As a result, during the year there were no monthly reconciled accounts payable trial balances until March 31, 1973. As at that date, there was a minor unreconciled difference. We have been advised by management that a new accounting system being introduced should rectify problems in this area. As part of the program, a monthly accounts payable trial balance will be printed out as a by-product of the general ledger.

Although shortcomings in competitive bid and tendering procedures continued through the early part of the 1972-73 fiscal year, substantial improvement was evident in the latter months, and is still continuing. The Authority now has a formal written Purchasing Policy.

**134. Ontario Housing Corporation.** In our Report for 1971-72 (section 156) comment was made on the accounting deficiencies of the Corporation carrying out the Ontario housing program. During the course of our current audit we noted an improvement in the overall accounting performance of the Corporation during the year ended December 31, 1972. This improvement was due in large measure to the strengthening of the Corporation's accounting resources at intermediate and senior levels. The Corporation actively pursued this objective throughout 1972 and has continued to do so during 1973.

As was pointed out in our previous Report, Ontario Housing Corporation is divided into three divisions, Rental Housing, Home Ownership and Corporate Administration, with each division maintaining its own accounting function. These divisions serve not only Ontario Housing Corporation but Ontario Student Housing Corporation and Housing Corporation Limited as well. A complicating feature in prior years, was the fact that Housing Corporation Limited had a March 31st year end, whereas the other two Corporations had a December 31st year end. During 1972 the year end of Housing Corporation Limited was changed to December 31st, thus making the close of the fiscal period consistent for all three Corporations.

Other steps have also been taken to improve accounting effectiveness. One involved the creation of a new accounting position with the title of Director, Finance Branch. The three divisional accounting units report to this Director whose duties include delineation of responsibility and co-ordination of activity within the financial area. In addition, we are advised that new legislation has been drafted for the purpose of simplifying the multi-corporate structure, and that this legislation is currently in the process of review by senior officials.

Observations relative to specific areas of operations include the following:

#### *H.O.M.E. Plan*

High priority was accorded H.O.M.E. Plan accounting matters during 1972. As a result, difficulties and problems in this area have been significantly reduced. As at December 31, 1971 a number of very large adjustments, many of which were estimates only, had to be made to permit the preparation of financial statements. During 1972 necessary corrections were processed and estimated figures were converted to an actual basis, permitting a more accurate financial statement presentation as at December 31, 1972.

Effective maintenance of H.O.M.E. Plan accounting records on an on-going basis has yet to be achieved, and will require the Corporation's continued close attention through 1973. For example, due to incomplete information transmitted from the H.O.M.E. marketing area to the accounting division, a contractor was given credit against a \$2,000,000 advance received from Ontario Housing Corporation, for fully servicing 19 semi-detached type lots. These lots had not, in fact, been fully serviced, resulting in premature reduction of the contractor's obligation to the Corporation by \$70,300. This matter has been brought to the attention of the accounting personnel involved.

The Corporation's internal audit staff has also noted some weaknesses in H.O.M.E. accounting procedures. It has been observed, for instance, that some of the detail records of agreements for sale do not agree with the control accounts, and that difficulty has arisen in handling of agreements for sale where accounts have been transferred from leasehold sales. In some cases accounts are incorrectly recorded in both the agreements for sale and leasehold accounting records.

#### *Accounts Receivable*

During the year ended December 31, 1972 payments approximating \$438,000 were received from the City of Toronto representing full settlement of the moneys outstanding from the 1968 takeover by the Corporation of the Housing Authority of Toronto. In addition, appropriate billings were made in the latter part of the year to the Central Mortgage and Housing Corporation and to the Municipality of Metropolitan Toronto for their shares of the 1968 operating losses incurred by the Housing Authority of Toronto. Both billings were paid and recorded on the books of the Corporation prior to year-end.

In previous years it had been Corporation practice to write-off accounts of former tenants whose rent arrears remained uncollected twelve months following termination of tenancy. In 1972 the twelve month limitation was reduced to six months. This change contributed to a write-off in 1972 of \$467,507, a significant increase over the 1971 total of \$169,946.

In keeping with the practice established last year, a provision for doubtful accounts has been established with respect to rent accounts receivable as at December 31, 1972. This provision is in the amount of \$500,000 and has been added with accounts receivable for the purpose of financial statement presentation.



### *Inventories of Furniture and Equipment*

In response to our concern regarding lack of control over maintenance equipment and appliances located in the various rental housing projects, the Corporation developed new procedures relative to the custody and recording of assets and consumable stores. Final procedures were distributed to Toronto districts in October 1972 and to Provincial districts in January 1973. The content of the written procedures was reviewed and internal control requirements are adequately covered. However, as the procedures did not become fully operational until 1973, assessment of their effectiveness has been deferred until our next audit.

Perpetual inventory procedures have also been developed with respect to furniture and equipment located within the main offices of the Corporation. These procedures have been reviewed and are satisfactory from an internal control standpoint. Their effectiveness will also be assessed during our next audit.

As far as could be determined perpetual inventory procedures with respect to the district offices of the Corporation have not yet been developed.

### *Rental Housing Properties*

During the year the internal audit branch visited several district offices of Provincial Rental Housing Properties in Metro Toronto and management offices throughout the Province, and performed audits of, among other things, the cash control and income verification procedures in force at the various offices. A review of their reports and the working papers points out the following general weaknesses:

- (a) Information concerning tenants' income is frequently not up-to-date. In many cases there is also a lack of proper income verification.
- (b) Leases are not always being renewed annually.

In these circumstances it is likely that the Corporation is not receiving all the rental income to which it is entitled. Additionally section 4(2) (a) of a master Agreement entered into with C.M.H.C. in 1971 states, "The Ontario Corporation shall take steps to verify the income of the individual or family from time to time but not less frequently than once every twelve (12) months in such manner as the Ontario Corporation may decide . . ."

The following additional points were noted in several of the internal audit files during the year:

- (a) Apparent inaccuracies in calculations of rent.
- (b) Absence of pre-printed and numbered cash receipt forms.
- (c) Lack of tenant ledger cards, or incomplete reconciliations thereof, to the Monthly Rent Journal from Head Office.

In view of the above observations, it is recommended that all internal audit reports on district or branch housing offices for the year be reviewed, and steps be taken to correct the weaknesses mentioned. Additionally, we believe it would be very beneficial if one copy of every report dealing with a district or branch office be sent to the manager in charge of that office. The manager could then draft a

formal reply to the report. Such reply should include an outline of constructive action being taken on the internal audit branch recommendations.

Internal audit reports were also issued during the year covering audits of management agents. Here again, we believe that formal replies should be made to all such reports, and that some constructive action should be taken to resolve the points raised.

#### *Advances from The Treasurer of Ontario*

Section 10 of The Ontario Housing Corporation Act states that the Lieutenant Governor in Council may authorize the Treasurer of Ontario to make advances to the Corporation in such amounts as the Lieutenant Governor in Council considers expedient. In recent years these advances have been paid out of moneys appropriated by the Legislature for this purpose. Since the Legislature would appear to have approved alternative procedures for the payment of advances to the Corporation, it was recommended that the matter be reviewed to determine which procedure is preferred.

**135. Ontario Place Corporation.** Ontario Place Corporation was established on May 4, 1972 by The Ontario Place Corporation Act, 1972. The objects of the Corporation are outlined in section 8 of the Act. Objects include the operation of Ontario Place as a Provincial exhibit and recreational centre, and the development of projects and programs designed to provide the people of Ontario with a greater appreciation of the Province. Ontario Place was officially opened on May 22, 1971 and, prior to the establishment of the Corporation, was administered by the now Ministry of Industry and Tourism.

The Corporation obtains the funds necessary to carry out its objectives from its revenue producing operations, and from grants and loans out of moneys appropriated by the Legislature. The Act provides that the Minister of Industry and Tourism may, out of funds so appropriated, make grants or loans to the Corporation at such times, in such amounts and upon such terms and conditions as he considers advisable.

Section 10(c) of the Act stipulates that, with the approval of the Lieutenant Governor in Council, the Corporation may make regulations prescribing fees. These fees may be with respect to entry into Ontario Place, or relative to any service or the use of any facility provided therein. Admission fees for entry into Ontario Place during the 1972 operating season were approved by Order in Council dated April 12, 1972. However, approval by Order in Council has not been obtained concerning fees established by the Corporation for services and facilities provided at Ontario Place, e.g. marine operations, parking, etc. Legislative requirements have not, therefore, been fulfilled.

For the 1972/73 fiscal year the Legislature appropriated an amount of \$4,000,000 for "Ontario Place Operations". On May 23, 1972 Management Board of Cabinet approved the payment of \$600,000 out of these appropriated funds to the Corporation as a grant, subject to the condition that the unexpended balance remaining in the appropriation was not to be spent. During the fiscal period

ending March 31, 1973 grants totalling \$1,633,417 were made to the Corporation. This total exceeds the maximum amount approved by \$1,033,417. In the light of available documentation in the matter, payment of this excess amount was contrary to the directive of Management Board of Cabinet.

For the 1972/73 fiscal year the Legislature also appropriated an amount of \$1,400,000 for "Ontario Place Development". This appropriation was classified as general expenditure for accounting purposes. On May 23, 1972 Management Board of Cabinet approved the payment of \$1,400,000, representing the total of the funds appropriated, to the Corporation in the form of loans. This approval therefore, had the effect of reclassifying the funds appropriated for "Ontario Place Development" as loan disbursements. They have been accounted for accordingly in the books of the Corporation and in the Public Accounts of the Province.

By Management Board Order dated September 19, 1972 the amount approved for loan disbursements on "Ontario Place Development" was increased by \$790,000 to a total of \$2,190,000. During the fiscal period ending March 31, 1973 loans totalling \$2,183,000 were actually made to the Corporation. These loans are non-interest bearing and terms for principal repayment have not been stipulated. Officials of the Corporation have indicated that they cannot foresee the possibility of the Corporation ever having sufficient funds available to repay loan principal.

Effective March 15, 1972, the Corporation entered into an agreement with an outside firm whereby such firm would operate and manage The Island Ports Restaurant on behalf of the Corporation. The Island Ports Restaurant essentially took over the facilities previously utilized by The Place Restaurants. Under the agreement a fee of seven per cent of gross sales is payable by the Corporation to the firm in question for management and accounting services.

The accounting records and procedures of The Island Ports Restaurant were reviewed by a firm of chartered accountants for the period March 15, 1972 to March 31, 1973. Financial statements were prepared; however, the accountants were unable to express an opinion on the operating statement as they were not engaged early enough to satisfy themselves on the accuracy of the opening inventory of merchandise and supplies. This inventory was in the recorded amount of \$27,384. The statement of operations of The Island Ports Restaurant reflected a net income for the stated period of approximately \$22,000. This income is included in the concession income of \$326,524 shown in the statement of income and expenditure of Ontario Place Corporation for the period May 4, 1972 to March 31, 1973.

During the course of the audit weaknesses were noted in the Corporation's purchasing procedures. For example, purchase requisitions forwarded by operating personnel to the purchasing officer frequently designated a specific supplier. In most of these cases the purchase order was issued to the supplier designated on the purchase requisition. In our opinion, the selection of the supplier should be the responsibility of the purchasing officer. In this connection competitive bids should be required on all purchases of goods and services over a specified dollar amount.



In the case of larger purchases, such as those involving extensive construction or maintenance work, tendering procedures currently employed by the Corporation should be continued. However, we recommend that tenders received be opened and recorded by a committee of two or more officials of the Corporation.

During the course of audit we observed that detailed records of furniture and equipment were not maintained by the Corporation. We are aware that a physical inventory of all furniture and equipment has recently been taken. We have been advised that detailed accounting records will be established, and effective controls maintained.

**136. Ontario Student Housing Corporation.** Section 6(2) of The Housing Development Act stipulates that the Lieutenant Governor in Council may constitute corporations to carry out housing projects. Pursuant to this legislation, the Ontario Student Housing Corporation was constituted by Order in Council dated August 18, 1966.

An examination of the January 1973 disbursements recorded by the Corporation with respect to construction contracts revealed a total of over \$540,000 in accounts payable and holdbacks which had not been set up on the books as at December 31, 1972. Appropriate adjustments have been made for financial statement purposes. We recommended that greater diligence be exercised in future in the year-end determination of accounts payable and related holdbacks.

Ontario Housing Corporation provides administrative services to Ontario Student Housing Corporation and charges the cost of these services to the latter Corporation. In previous memoranda we have commented upon the somewhat arbitrary method by which these costs have been determined. An analysis was made by Ontario Housing Corporation to ascertain the extent of its staff involvement in student housing operations during 1972. As a result of this review, a cost of \$170,000 was determined. This amount is substantially less than the corresponding 1971 figure of \$400,000, and reflects the continuing decline in student housing administrative activities.

**137. Province of Ontario Council for the Arts.** The functions of the Council are outlined in section 6 of The Arts Council Act. A principal function is to provide, through appropriate organizations or otherwise, grants, scholarships or loans to persons for study or research in the arts in Ontario. Another function is to make awards to persons in Ontario for outstanding accomplishments in the arts.

Essentially, the Council's income consists of grants from the Province of Ontario. The grant for the year ended March 31, 1973 was in an amount of \$3,465,000. The major portion of this grant was received by Council in three instalments—\$1,500,000 on May 3, 1972, \$1,200,000 on June 16, 1972, and \$500,000 on October 17, 1972.

Funds received by the Council, and not required immediately for disbursement purposes, were either deposited in a savings account, earning interest at the rate of 4 per cent per annum, or invested in term deposits earning interest at

the rate of  $4\frac{3}{4}$  per cent per annum. Total interest earned in this manner during the year ended March 31, 1973 amounted to \$42,172. In the same period the Council incurred interest expense on overdrafts in the current account in an amount of \$4,369, resulting in net interest income for the year of \$37,803. This interest return indicates that moneys available to the Council for investment purposes averaged in excess of \$750,000 throughout the 1972-73 fiscal year. We feel that funds of this magnitude would be more profitably invested or utilized by the Province. We recommend, therefore, that the flow of funds between the Province and the Council be more closely related to the Council's disbursing requirements.

**138. The Province of Ontario Savings Office.** The Agricultural Development Finance Act came into force in 1921. This Act empowered the Treasurer of Ontario to borrow money by means of deposits in any amounts and from any persons, and to open offices for this purpose at such places in Ontario as he deemed expedient. In accordance with this authority, a total of twenty-six offices have been opened, five of which have since been closed. The last office was opened in December 1943. All offices have been designated branches of The Province of Ontario Savings Office, the Head or Administrative Office of which is located in Toronto.

Amounts received from the public are held in individual accounts on which interest is paid, and on which the depositor may draw cheques. Funds in excess of the day-to-day requirements of the Savings Office are deposited in the Consolidated Revenue Fund.

### *Interest Earnings*

Interest earned is derived from depositors' funds which the Savings Office has deposited with the Treasurer of Ontario. With the exception of special deposit account funds, all funds deposited with the Treasurer earn interest at a rate which is one percentage point higher than the rate paid by the Savings Office on regular account balances. Special deposit funds earn interest from the Treasurer at a rate which is equivalent to the agreed rate of interest paid by the Savings Office on these funds.

It is understood that the basis on which the funds deposited with the Treasurer earn interest has been determined so as to generate revenue to the Savings Office which, combined with revenue from other sources, will be sufficient to offset its total expenditure. At year-end the net profit or loss on operations is transferred to the Treasurer of Ontario thereby effectively reducing or increasing the relative interest expenditure by the Treasurer to the actual cost of operating The Province of Ontario Savings Office.

At some time in the past the Savings Office evidently did not transfer all of its net profit to the Treasurer. Instead, at least a portion thereof was retained and recorded as a reserve. However, for the past thirty-five or more years the net profit or loss has been transferred to the Treasurer, with the result that the amount of the reserve, \$293,283 has remained unchanged during that time. In view of

this long period of inactivity, it is recommended that the amount and purpose of the reserve be reviewed at an early date.

### *Branch Operations*

Head Office revenue and expenditure are allocated to the individual branches in proportion to the average amount of depositors' funds, exclusive of special deposits, that each has on deposit. This distribution is combined with the revenue and expenditure which are directly allocable by branch. A net profit or loss is thereby determined on a branch basis, and serves as a measure of each branch's ability to operate within the interest earnings generated by the Treasurer. During the year ended March 31, 1973, thirteen branches did so and reflected a profit, while eight branches did not and reflected a loss. The method of Head Office revenue and expenditure apportionment places branches with large amounts of non-interest bearing funds on deposit in a beneficial position. Parliament Buildings branch, for example, has the largest volume of non-interest bearing funds on deposit; this factor contributes significantly to this branch's comparatively high profit figure. It is felt that a more equitable apportionment would result if non-interest bearing deposits were excluded from the deposit balances on which the distribution is based.

In last year's report it was pointed out that six branches had operated consistently at a loss for the past fifteen years. Five of these six branches continued to operate at a loss in the year ending March 31, 1973. Our previous report recommended that serious consideration be given, by those knowledgeable in the field, to the closing of perennially non-profit branches, and to the relocation or establishment of branches in more favourable areas. As far as we were able to determine no such review has as yet been made.

Excluding special deposit funds, the branches provided the Treasurer with funds averaging in excess of \$149,000,000 throughout the year. According to the calculations of the Savings Office, the net cost to the Treasurer in maintaining this source of funds was approximately \$8,097,000, or 5.41 per cent. On a branch basis the cost percentage varied considerably. The Parliament Buildings branch reflected a net cost of 3.51 per cent while the net cost of other branches varied from 5.26 per cent to 6.23 per cent. It was noted that a review was recently undertaken by the Ministry of Treasury, Economics and Intergovernmental Affairs which compared the cost of borrowing money through the Savings Office with the cost of borrowing from other sources of long-term financing. This review concluded that in the years 1970, 1971 and 1972 the average cost of money borrowed by the Province from the Savings Office was at least one full percentage point below the long-term borrowing costs of the Province from other sources for the same periods.

**139. Public Service Superannuation Fund.** The most recent actuarial review of the Public Service Superannuation Fund was made as at December 31, 1970. As at that date this review disclosed an unfunded liability of \$117,241,000. Of this amount \$82,616,000 represents the initial unfunded liability as at January 1,



1965; the balance of \$34,625,000 represents the outstanding amount, as at December 31, 1970, of the experience deficiency which has arisen subsequent to January 1, 1965.

The Province of Ontario has been making annual payments of interest and principal into the Fund in accordance with the Regulations under The Pension Benefits Act. These payments are designed to prevent an increase in the initial unfunded liability and to liquidate the experience deficiency over a period ending April 1, 1974.

Section 5(5) of The Public Service Superannuation Act stipulates that "Where a payment into the Fund is made pursuant to The Pension Benefits Act with respect to the unfunded liability of the Fund, interest shall be credited to the Fund out of the Consolidated Revenue Fund at the rate of 5 per cent per annum from the date of such payment in any year to the end of the then current fiscal year." For the year ended March 31, 1973 interest on these payments was credited to the Fund in accordance with the quoted legislative provision.

However, the calculation of the annual payments required to stabilize the initial unfunded liability, and to liquidate the experience deficiency by April 1, 1974, was based upon anticipated interest earnings of 6 per cent per annum. It would appear, therefore, that the 1972-73 interest credited to the Fund with respect to these annual payments fell short of actuarial requirements. Had a 6 per cent rather than a 5 per cent rate been applied, it is estimated that approximately \$105,000 additional interest would have been generated. We are advised that an amendment to section 5(5) of The Public Service Superannuation Act is in process which will permit the required flexibility in the rate of interest to be applied.

Section 10 of the Act stipulates that the government's contributions are to be credited to the Fund out of the Consolidated Revenue Fund. Commencing with the 1971-72 fiscal year, the government's contribution to the Fund have been paid out of departmental money appropriated by the Legislature for employee benefit purposes. Since the Legislature would appear to have approved alternative procedures regarding the payment of government contributions to the Fund, it is recommended that the matter be reviewed to determine which procedure is preferred.

As at March 31, 1973 retirement allowances and benefits available under the Act were being paid to over 7,600 former contributors to the Fund. As at that same date dependants' allowances and benefits were also being paid in over 2,800 instances. In our opinion control measures should be strengthened in order to provide reasonable assurance that recipients are still living or remain otherwise eligible to receive allowances. Improved control is considered desirable in view of the fact that over 2,000 or approximately 20 per cent of recipients are over 75 years of age according to Fund records. During the course of audit we also noted a significant incidence of superannuates and dependant beneficiaries in the 90-100 age range.

**140. Soldiers' Aid Commission and Ontario Canteen Fund.** At a meeting of the Soldiers' Aid Commission held on October 25, 1973, the Provincial Auditor for the Province of Ontario was appointed auditor for the Soldiers' Aid Commission and for the Ontario Canteen Fund. These appointments are effective from April 1, 1971 and are for the financial years ending March 31, 1972 through March 31, 1974.

As of the date of this Report we have not had an opportunity to examine the accounts and financial transactions of either the Soldiers' Aid Commission or the Ontario Canteen Fund. Such examinations will have been completed by the date of our next Report.

**141. Star Transfer Limited.** Star Transfer Limited was incorporated as a Private Company on January 2, 1951, and was subsequently purchased by the Ontario Northland Transportation Commission by agreement dated July 11, 1960. Since that time it has been operated as a wholly owned subsidiary of the Commission to provide complete trucking service throughout northeastern Ontario.

In its interim report to the Legislative Assembly dated June 28, 1972, the Standing Committee on Public Accounts requested that the Provincial Auditor review and report upon the purchasing and inventory control procedures in selected Crown Agencies. One of the selected agencies was Star Transfer Limited. A detailed review was undertaken and a report submitted to the Standing Committee on Public Accounts on October 25, 1972. This report disclosed a number of areas where improved procedures were warranted and contained a number of recommendations in this regard. It was also suggested that, since Star Transfer Limited was a wholly owned subsidiary of the Ontario Northland Transportation Commission, the Commission should proceed to develop and establish general standards for purchasing procedures and inventory control to be followed by Star Transfer Limited.

During the course of a subsequent audit it was noted that the recommendations relative to written price quotations on major purchases had been adopted as of January 1, 1973. In addition, procedures necessary for the implementation of many of the other recommendations were in the process of development.

## CONCLUDING COMMENTS

142. I am pleased to have this opportunity to acknowledge the willing co-operation and effective help of the officials and staff of the various Ministries, Boards and Commissions during the conduct of the audit.

Also, may I express my sincere appreciation for the faithful performance of their duties by the Directors and other members of the staff during a year of significant change. The gradual phasing-out of the pre-audit function of the Office of Provincial Auditor commenced on April 1, 1972 and continued throughout the year. This Office experienced several organizational changes, the most notable of which were those affecting the leadership of the Office.

Mr. George H. Spence, F.C.A., Provincial Auditor from November 1963 to January 1973 retired on March 31, 1973 after thirty-four years of public service. Mr. W. (Bill) S. Groom, F.C.A., succeeded Mr. Spence as Provincial Auditor until his tragic death in July 1973. Both Mr. Spence and Mr. Groom served the Province well.

A handwritten signature in dark ink, appearing to read "F. N. Scott", followed by the letters "C.A." in a smaller, printed-style font.

Toronto, November 30, 1973.

F. N. SCOTT, C.A.,  
Assistant Provincial Auditor.



## EXHIBITS

1. Statement of Assets and Liabilities as at March 31, 1973.
2. Statement of Consolidated Revenue Fund for Fiscal Year ended March 31, 1973.
3. Statement of Revenue and Expenditure for Fiscal Year ended March 31, 1973.
4. Statement of Non-Budgetary Transactions for Fiscal Year ended March 31, 1973.
5. Statement of Management Board Orders Issued for the Authorization of Expenditures in Excess of Appropriations During the Fiscal Year ended March 31, 1973.
5. Statement of Special Warrants Issued During the Fiscal Year ended March 31, 1973.
7. Crown Agencies Audited by the Office of Provincial Auditor for the Fiscal Year ended March 31, 1973.
3. Ministry of Correctional Services, Revised Details of Expenditures, Vol. 3, Public Accounts 1971-72.

PROVINCE OF  
STATEMENT OF ASSETS AND  
(with comparative

Assets	1973 \$	1972 \$
Cash and temporary investments.....	952,511,764	643,986,076
Advances to commissions.....	1,293,115,508	1,358,270,421
Advances and investments—Crown corporations.....	2,820,894,107	2,457,024,377
Investments in water treatment and waste control facilities.....	305,734,756	
Loans to municipalities.....	197,250,944	164,036,060
Other loans and investments (at cost).....	213,705,190	190,917,714
Fixed assets.....	1	1
Inactive assets.....	4,395,861	4,346,270
Total assets.....	5,787,608,131	4,818,580,919
Less: Reserve for inactive assets.....	4,350,546	4,300,955
Net realizable assets.....	5,783,257,585	4,814,279,964
Net debt.....	2,522,043,433	2,153,538,713
	<u>8,305,301,018</u>	<u>6,967,818,677</u>

Approved on behalf of the Ministry of Treasury, Economics and Intergovernmental Affairs:

H. I. MACDONALD, Deputy Treasurer of Ontario and Deputy Minister of Economics and Intergovernmental Affairs.

G. MCINTYRE, F.C.A., Executive Director, Treasury Division

## EXHIBIT 1

## ONTARIO

## LIABILITIES AS AT MARCH 31, 1973

figures for 1972)

Liabilities		
	1973 \$	1972 \$
Demand deposits with the Province of Ontario		
Savings Office.....	159,303,559	146,039,429
Pension funds.....	595,723,992	508,057,177
Deposit, trust and reserve accounts.....	95,179,184	56,317,538
Treasury bills.....	260,000,000	190,000,000
Federal-Provincial employment loans.....	26,466,669	
Federal-Provincial special development loans.....		5,654,499
Central Mortgage and Housing Corporation— waste control loans.....	24,102,753	
Debentures.....	7,172,662,861	6,079,830,534
Deduct: Ontario debentures held as investments.....	28,138,000	18,080,500
	<u>7,144,524,861</u>	<u>6,061,750,034</u>
	<u>8,305,301,018</u>	<u>6,967,818,677</u>
Contingent liabilities:		
Bonds, etc., guaranteed by the Province.....	<u>3,029,872,372</u>	<u>2,780,740,101</u>

I have examined the above Statement of Assets and Liabilities of the Province of Ontario as at March 31, 1973, the Statements of the Consolidated Revenue Fund, the Revenue and Expenditure and related statements for the year ended on that date.

Subject to the comments in my report to the Legislative Assembly as required under section 20 of The Audit Act, in my opinion these financial statements present fairly the financial position of the Province as at March 31, 1973 and the results of its operations for the year then ended and were prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Office of Provincial Auditor,  
Toronto.

F. N. Scott, C.A.,  
Assistant Provincial Auditor



## EXHIBIT

**CONSOLIDATED REVENUE FUND**  
**FOR FISCAL YEAR ENDED MARCH 31, 1973**

	\$	\$
OPENING BALANCE		
Cash and temporary investments.....	667,992,076	
Ontario debentures held as investments.....	24,420,500	
		<u>692,412,576</u>
BUDGETARY TRANSACTIONS		
Revenue.....	6,114,599,006	
Expenditure.....	(6,480,342,060)	
		<u>(365,743,054)</u>
NON-BUDGETARY TRANSACTIONS		
Receipts and Credits.....	314,197,394	
Disbursements and Charges.....	(842,251,607)	
		<u>(528,054,213)</u>
		<u>(893,797,267)</u>
DEBT TRANSACTIONS		
Proceeds of loans.....	1,295,838,410	
Repayments of loans.....	(113,803,955)	
		<u>1,182,034,455</u>
CLOSING BALANCE		
Cash and temporary investments.....	952,511,764	
Ontario debentures held as investments.....	28,138,000	
		<u><u>980,649,764</u></u>

## EXHIBIT 3

**REVENUE AND EXPENDITURE**  
**FOR FISCAL YEAR ENDED MARCH 31, 1973**

MINISTRIES	REVENUE	EXPENDITURE
	\$	\$
Office of the Lieutenant Governor.....		44,357
Office of the Premier.....	17	1,019,146
Cabinet Office.....	1,340	1,511,946
Management Board.....	1,057	2,893,172
Civil Service Commission.....	21,925	3,471,669
Office of Provincial Auditor.....		1,178,283
Government Services.....	6,315,485	165,794,296
Revenue.....	3,648,997,866	73,351,291
Treasury, Economics and Intergovernmental Affairs...	197,865,674	164,025,352
Attorney General.....	56,969,664	60,121,489
Consumer and Commercial Relations.....	25,218,086	24,979,671
Correctional Services.....	3,631,504	72,935,354
Solicitor General.....	2,239,672	82,597,936
Agriculture and Food.....	11,535,821	96,529,149
Environment.....	11,457,349	37,193,698
Industry and Tourism.....	398,857	22,521,304
Labour.....	4,582,092	9,992,478
Natural Resources.....	55,161,863	138,797,387
Transportation and Communications.....	207,796,677	597,581,625
Colleges and Universities.....	66,924,569	708,786,622
Community and Social Services.....	209,731,641	420,257,333
Education.....	3,122,802	1,316,214,394
Health.....	1,302,205,390	2,001,624,851
	5,814,179,351	6,003,422,803
Public Debt—Interest, etc.....	300,419,655	476,919,257
	6,114,599,006	6,480,342,060

**NON-BUDGETARY TRANSACTIONS  
FOR FISCAL YEAR ENDED MARCH 31, 1973**

	\$
<b>RECEIPTS AND CREDITS</b>	
Province of Ontario Savings Office (net).....	13,244,355
Repayments of Loans and Advances.....	146,118,674
Deposits to Pension Funds, Deposit and Trust and Reserve Accounts.....	154,834,365
	<u>314,197,394</u>
 <b>DISBURSEMENTS AND CHARGES</b>	
Loans and Advances.....	783,642,200
Payments from Pension Funds, Deposit and Trust and Reserve Accounts.....	58,609,407
	<u>842,251,607</u>



## EXHIBIT 5

## MANAGEMENT BOARD ORDERS

STATEMENT OF MANAGEMENT BOARD ORDERS  
ISSUED FOR THE AUTHORIZATION OF EXPENDITURES IN  
EXCESS OF APPROPRIATIONS  
DURING THE FISCAL YEAR ENDED MARCH 31, 1973

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
	<b>Office of the Premier</b>	\$	\$
Mar. 27, 1973	Office of the Premier Program: Office of the Premier.....	25,000	24,146
		25,000	24,146
	<b>Cabinet Office</b>		
April 10, 1973	Policy Development Program: Social Development Policy.....	14,000	13,626
		14,000	13,626
	<b>Management Board</b>		
Nov. 28, 1972	Management Board Secretariat Program:		
Nov. 28, 1972	Programs and Estimates.....	192,900	158,958
	Management Services.....	94,500	21,192
Nov. 28, 1972	Implementation of Recommendations of the Committee on Government Productivity:		
April 3, 1973	Order..... \$ 35,300		
	Order..... 58,000		
		93,300	92,323
Oct. 17, 1972	Committee on Government Productivity Program:		
Feb. 20, 1973	Productivity Improvement Project— Hydro-Electric Power Commission of Ontario:		
	Order..... \$150,000		
	Order..... 60,000		
		210,000	172,439
		590,700	444,912
	<b>Civil Service Commission</b>		
Mar. 6, 1973	Commission Administration Program:		
Mar. 6, 1973	Main Office.....	2,000	2,000
	Ontario Joint Council, Civil Service Arbitration Board and Grievance Boards.....	16,000	15,986
Mar. 6, 1973	Personnel Management Program:		
Mar. 6, 1973	Classification Standards and Compensation.....	5,000	—
	Staff Relations.....	29,000	28,986

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Civil Service Commission—Continued</b>		
	Personnel Development Program:		
	Staffing Policy and Recruitment Services:		
Mar. 6, 1973	Order..... \$47,000		
April 10, 1973	Order..... 25,000	72,000	64,631
		124,000	111,603
	<b>Ministry of Government Services</b>		
	Ministry Administration Program:		
Mar. 6, 1973	Main Office.....	111,000	89,015
Mar. 13, 1973	Personnel Services.....	26,000	11,981
Mar. 13, 1973	Financial Services.....	57,000	41,033
Mar. 13, 1973	Administrative Services.....	41,000	27,951
	Provision of Accommodation Program:		
Mar. 13, 1973	Design Services.....	327,000	290,084
	Legislature Services Program:		
Mar. 13, 1973	Speaker.....	3,000	—
Feb. 27, 1973	Hansard.....	49,000	46,531
Mar. 13, 1973	Legislative Library.....	12,000	11,999
	Sessional and Other Requirements:		
Feb. 6, 1973	Order..... \$733,500		
Mar. 6, 1973	Order..... 161,500		
April 3, 1973	Order..... 200,000	1,095,000	974,114
Dec. 12, 1972	Communications and Special Services.....	519,000	409,164
	Supply Services Program:		
Feb. 20, 1973	Mailing Services.....	67,000	39,604
Feb. 20, 1973	Telephone Services.....	255,000	241,335
Mar. 6, 1973	Stationery and Office Supplies.....	26,000	21,763
	Payment Services Program:		
Mar. 20, 1973	Government Banking, Payroll and Cheque-writing Services.....	94,000	93,566
	Government Benefit Plans:		
Mar. 27, 1973	Order..... \$10,907,000		
April 3, 1973	Order..... 74,000	10,981,000	10,814,777
		13,663,000	13,112,917
	<b>Ministry of Revenue</b>		
	Ministry Administration Program:		
Jan. 23, 1973	Main Office.....	62,000	58,988
Jan. 23, 1973	Financial Services.....	104,000	102,167
Jan. 23, 1973	Administrative Services.....	49,000	—
	Personnel Services:		
Jan. 23, 1973	Order..... \$23,000		
Mar. 20, 1973	Order..... 40,000	63,000	62,627

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
	<b>Ministry of Revenue—Continued</b>	\$	\$
Jan. 23, 1973	Systems and Programming.....	60,000	7,532
	Administration of Taxes Program:		
Jan. 23, 1973	Administration.....	40,000	30,064
Jan. 23, 1973	Corporations Tax and Other Taxes.....	214,000	213,753
Jan. 23, 1973	Gasoline and Tobacco Tax.....	124,000	38,924
Jan. 23, 1973	Succession Duty.....	112,000	22,395
Jan. 23, 1973	Retail Sales Tax and Other Taxes.....	639,000	488,970
	Municipal Assessment Program:		
Jan. 23, 1973	Office of the Executive Director.....	16,000	6,472
Jan. 23, 1973	Assessment Standards.....	46,000	38,733
Jan. 23, 1973	Assessment Field Services.....	2,939,000	2,828,669
Jan. 23, 1973	Assessment System Development.....	119,000	60,217
		4,587,000	3,959,511
	<b>Ministry of Treasury, Economics and Intergovernmental Affairs</b>		
	Ministry Administration Program:		
Mar. 20, 1973	Main Office.....	33,000	31,847
Mar. 20, 1973	Information Services.....	26,000	25,934
Mar. 20, 1973	Accounts.....	26,000	25,779
Mar. 20, 1973	Legal Services.....	30,000	26,220
Oct. 3, 1972	Advisory Committee on Energy.....	114,000	106,250
	Central Statistical Analysis and Services Program:		
Mar. 20, 1973	Statistical Standards and Classification.....	98,000	88,010
Dec. 12, 1972	Statistical Advisory Services.....	54,000	53,962
	Intergovernmental Relations and Economic Policy Program:		
May 1, 1973	Program Administration.....	49,000	45,178
Mar. 20, 1973	Economic Planning.....	229,000	122,870
Mar. 20, 1973	Economic Analysis and Quantitative Research.....	66,000	62,887
Mar. 20, 1973	Federal-Provincial Affairs.....	41,000	40,875
	Finance Program:		
Mar. 20, 1973	Taxation and Intergovernmental Finance.....	548,000	479,549
Mar. 20, 1973	Audit Standards.....	50,000	39,782
	Provincial-Municipal Development and Services Program:		
Mar. 20, 1973	Program Administration.....	48,000	41,993
	Regional Development:		
Mar. 20, 1973	Order..... \$53,000		
April 10, 1973	Order..... 43,000		
		96,000	86,508
Mar. 20, 1973	Municipal Organization.....	47,000	1,155
	Municipal Advisory Services:		
Mar. 20, 1973	Order..... \$970,000		
May 15, 1973	Order..... 154,000		
		1,124,000	344,843
		2,679,000	1,623,642



DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of the Attorney General</b>		
	Law Officer of the Crown Program:		
	Deputy Minister:		
Aug. 29, 1972	Order.....	\$40,000	
Mar. 6, 1973	Order.....	77,000	
		117,000	95,807
July 25, 1972	Royal Commissions.....	177,000	154,129
	Compensation to Victims of Crime:		
Mar. 6, 1973	Order.....	\$28,000	
April 10, 1973	Order.....	7,000	
		35,000	32,957
Feb. 27, 1973	Contribution to Legal Aid Fund.....	350,000	350,000
	Ministry Support Services Program:		
Mar. 13, 1973	Program Administration.....	7,000	5,864
Mar. 13, 1973	Financial Management.....	71,000	69,967
	Internal Audit:		
Mar. 13, 1973	Order.....	\$25,000	
April 3, 1973	Order.....	39,000	
		64,000	37,363
	Office Services:		
Mar. 13, 1973	Order.....	\$23,000	
April 3, 1973	Order.....	4,000	
		27,000	22,718
Mar. 13, 1973	Personnel Management.....	45,000	18,425
Mar. 13, 1973	Program Planning and Evaluation.....	10,000	3,808
Mar. 13, 1973	Systems Development.....	27,000	1,478
	Crown Legal Services Program:		
Mar. 13, 1973	Program Administration.....	8,000	4,136
	Criminal Prosecutions and Appeals:		
Mar. 13, 1973	Order.....	\$466,000	
April 3, 1973	Order.....	518,000	
		984,000	829,732
	Civil Litigation and Legal Advisory Services:		
Mar. 13, 1973	Order.....	\$62,000	
April 3, 1973	Order.....	3,000	
		65,000	6,707
	Legislative Counsel Services Program:		
Mar. 6, 1973	Legislative Counsel Services.....	70,000	61,341
	Courts Administration Program:		
Mar. 6, 1973	Administration of Supreme Court of Ontario.....	82,000	74,908
	Administration of County, District, Surrogate and Small Claims Courts:		
Mar. 6, 1973	Order.....	\$892,000	
Mar. 13, 1973	Order.....	677,000	
		1,569,000	1,569,000
	Administration of Provincial Courts:		
Mar. 6, 1973	Order.....	\$702,000	
Mar. 13, 1973	Order.....	123,000	
		825,000	753,290

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
	<b>Ministry of the Attorney General—Continued</b>	\$	\$
	Guardian and Trustee Services Program:		
Mar. 13, 1973	Official Guardian.....	53,000	—
Mar. 13, 1973	Public Trustee.....	169,000	107,968
	Law Research and Development Program:		
Mar. 13, 1973	Law Research and Development.....	24,000	—
	Ontario Municipal Board Program:		
Feb. 27, 1973	Ontario Municipal Board.....	167,000	154,206
	Assessment Review Court Program:		
Mar. 13, 1973	Assessment Review Court.....	48,000	47,348
	Expropriation and Land Compensation Program:		
Jan. 29, 1973	Expropriation Investigation.....	14,000	13,917
	Land Compensation Board:		
Mar. 13, 1973	Order..... \$22,000		
April 3, 1973	Order..... 4,000		
		26,000	25,828
		5,034,000	4,440,897
	<b>Ministry of Consumer and Commercial Relations</b>		
	Ministry Administration Program:		
	Main Office:		
Jan. 30, 1973	Order..... \$38,100		
Mar. 13, 1973	Order..... 46,000		
April 3, 1973	Order..... 2,500		
April 10, 1973	Order..... 3,000		
		89,600	89,316
Mar. 13, 1973	Financial and Administrative Services.....	43,000	33,303
	Personnel Services:		
Feb. 20, 1973	Order..... \$18,400		
Mar. 13, 1973	Order..... 14,000		
April 10, 1973	Order..... 2,000		
		34,400	34,158
	Management Services:		
Jan. 30, 1973	Order..... \$19,500		
Mar. 13, 1973	Order..... 11,000		
April 10, 1973	Order..... 500		
		31,000	29,867
	Commercial Standards Program:		
Mar. 13, 1973	Financial Institutions.....	107,000	71,595
	Motor Vehicle Accident Claims Fund:		
Mar. 13, 1973	Order..... \$116,000		
April 10, 1973	Order..... 84,000		
		200,000	188,905
	Commercial Affairs:		
Mar. 13, 1973	Order..... \$ 1,000		
April 10, 1973	Order..... 50,000		
		51,000	50,401

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of Consumer and Commercial Relations—Continued</b>		
	Technical Standards Program:		
Mar. 13, 1973	Program Administration.....	6,000	—
Mar. 13, 1973	Operating Engineers.....	11,000	—
	Boiler Inspection:		
Mar. 13, 1973	Order..... \$18,000		
April 10, 1973	Order..... 3,500		
		21,500	21,497
Mar. 13, 1973	Energy.....	29,000	28,986
	Upholstered and Stuffed Articles:		
Feb. 20, 1973	Order..... \$12,200		
Mar. 13, 1973	Order..... 5,000		
April 10, 1973	Order..... 2,000		
		19,200	17,651
	Public Entertainment Standards Program:		
Mar. 13, 1973	Regulation of Horse Racing.....	11,000	—
Mar. 13, 1973	Theatres.....	5,000	4,498
Mar. 13, 1973	Lotteries.....	6,000	4,067
	Property Rights Program:		
	Real Property Registration:		
Mar. 13, 1973	Order..... \$418,000		
April 10, 1973	Order..... 100,000		
		518,000	512,381
	Title and Survey Examination:		
Mar. 13, 1973	Order..... \$109,000		
April 10, 1973	Order..... 3,000		
		112,000	111,876
	Registrar General Program:		
Mar. 13, 1973	Registrar General.....	50,000	48,689
		1,344,700	1,247,190
	<b>Ministry of Correctional Services</b>		
	Ministry Administration Program:		
Jan. 9, 1973	General Administration.....	120,000	112,879
Feb. 20, 1973	Institutional Services.....	90,000	86,572
	Rehabilitation of Adult Offenders Program:		
Feb. 20, 1973	General Administration.....	218,000	161,320
April 3, 1973	Ontario Board of Parole.....	20,000	16,301
	Probation Services Program:		
April 3, 1973	Probation Services.....	150,000	147,654
		598,000	524,726
	<b>Ministry of the Solicitor General</b>		
	Ministry Administration Program:		
Feb. 13, 1973	Main Office.....	55,000	50,277
Feb. 13, 1973	Program Planning and Evaluation.....	147,000	122,958
Feb. 13, 1973	Administrative Services.....	6,000	6,000



DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
	<b>Ministry of the Solicitor General—Continued</b>	<b>\$</b>	<b>\$</b>
	Public Safety Program:		
Feb. 13, 1973	Program Administration.....	24,600	14,211
Feb. 13, 1973	Centre of Forensic Sciences.....	127,000	84,192
Feb. 13, 1973	Emergency Measures.....	50,000	—
Feb. 13, 1973	Fire Safety Services.....	143,000	105,127
Feb. 13, 1973	Coroners' Investigations and Inquests.....	436,500	436,496
	Supervision of Police Forces Program:		
Feb. 13, 1973	Ontario Police Commission.....	82,000	—
	Police Training:		
Feb. 13, 1973	Order..... \$60,000		
Mar. 20, 1973	Order..... 30,000	90,000	89,997
	Ontario Provincial Police Administration Program:		
Jan. 30, 1973	Administration.....	90,100	71,469
	Financial Management:		
Jan. 30, 1973	Order..... \$47,700		
Feb. 20, 1973	Order..... 15,000	62,700	26,252
	Staff Inspection:		
Jan. 30, 1973	Order..... \$64,600		
Feb. 20, 1973	Order..... 4,000	68,600	51,714
Jan. 30, 1973	In-Service Training.....	30,400	—
Jan. 30, 1973	Public Information and Properties.....	15,900	11,682
Jan. 30, 1973	Personnel.....	31,600	4,867
Jan. 30, 1973	Ontario Provincial Police Auxiliary.....	4,400	—
Jan. 30, 1973	Planning and Research.....	30,600	12,409
	Ontario Provincial Police Criminal and General Law Enforcement Program:		
	Special Services:		
Jan. 30, 1973	Order..... \$350,100		
Feb. 20, 1973	Order..... 114,000	464,100	358,890
Feb. 20, 1973	Registration.....	1,000	—
	Transport:		
Jan. 30, 1973	Order..... \$ 17,500		
Feb. 20, 1973	Order..... 304,400	321,900	302,532
	Communications:		
Jan. 30, 1973	Order..... \$85,400		
Feb. 20, 1973	Order..... 63,000	148,400	116,193
Jan. 30, 1973	Quartermaster Stores.....	10,400	1,035
Jan. 30, 1973	Records.....	35,700	—
	Law Enforcement—Uniform:		
Jan. 30, 1973	Order..... \$2,419,000		
Feb. 20, 1973	Order..... 347,600	2,766,600	2,099,060
Jan. 30, 1973	Law Enforcement—Civilian.....	178,400	154,780

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of the Solicitor General—Continued</b>		
	Ontario Provincial Police Traffic Law Enforcement Program:		
	Traffic Accident Prevention:		
Jan. 30, 1973	Order..... \$26,500		
Feb. 20, 1973	Order..... 5,000	31,500	10,421
	Transport:		
Jan. 30, 1973	Order..... \$ 21,400		
Feb. 20, 1973	Order..... 372,300	393,700	369,660
	Communications:		
Jan. 30, 1973	Order..... \$104,300		
Feb. 20, 1973	Order..... 77,000	181,300	141,936
Jan. 30, 1973	Quartermaster Stores.....	12,800	1,221
Jan. 30, 1973	Records.....	43,700	—
	Law Enforcement—Uniform:		
Jan. 30, 1973	Order..... \$2,956,600		
Feb. 20, 1973	Order..... 425,000	3,381,600	2,565,473
Jan. 30, 1973	Law Enforcement—Civilian.....	218,000	189,109
		9,684,500	7,397,961
	<b>Ministry of Agriculture and Food</b>		
	Ministry Administration Program:		
April 10, 1973	Legal Services.....	5,000	4,108
	Agricultural Production Program:		
	Administration:		
Jan. 23, 1973	Order..... \$ 175,000		
Mar. 6, 1973	Order..... 7,000,000	7,175,000	6,781,502
Mar. 27, 1973	Agricultural and Horticultural Societies.....	17,000	16,406
April 10, 1973	Crop Insurance.....	40,000	12,674
April 10, 1973	Extension.....	250,000	143,056
April 10, 1973	Home Economics.....	75,000	54,656
	Livestock Services:		
April 10, 1973	Order..... \$100,000		
April 17, 1973	Order..... 40,000	140,000	127,460
	Agricultural Education and Research Program:		
April 10, 1973	Research and Services.....	125,000	124,149
		7,827,000	7,264,011
	<b>Ministry of the Environment</b>		
	Ministry Administration Program:		
	Strategic Planning:		
Feb. 20, 1973	Order..... \$166,300		
April 10, 1973	Order..... 31,000	197,300	193,621

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of the Environment—Continued</b>		
	Legal Services:		
Feb. 20, 1973	Order.....	\$ 5,300	
Mar. 20, 1973	Order.....	17,000	
		22,300	15,887
	Information Services:		
Mar. 6, 1973	Order.....	\$52,000	
Sept. 18, 1973	Order.....	6,800	
		58,800	58,790
Mar. 20, 1973	Financial Services.....	25,000	—
Mar. 20, 1973	Personnel Administration.....	15,000	14,315
Mar. 20, 1973	Data Processing.....	35,000	15,646
	Water Management Program:		
Mar. 6, 1973	Water Management Co-ordination.....	53,000	42,157
Mat. 20, 1973	Water Assessment—Quality/Quantity.....	367,000	365,407
	Water Treatment and Waste Control:		
Mar. 13, 1973	Order.....	\$7,000,000	
Mar. 20, 1973	Order.....	30,000	
		7,030,000	6,912,215
	Air and Land Pollution Control Program:		
Mar. 20, 1973	Air Quality.....	221,000	134,716
Mar. 20, 1973	Pesticides Control Service.....	47,000	46,988
	Laboratory and Research Support Services Program:		
Mar. 20, 1973	Laboratory.....	261,000	156,803
Mar. 20, 1973	Research.....	67,000	64,518
		8,399,400	8,021,063
	<b>Ministry of Industry and Tourism</b>		
	Ministry Administration Program:		
	Main Office:		
Jan. 30, 1973	Order.....	\$37,700	
Mar. 27, 1973	Order.....	6,000	
April 17, 1973	Order.....	22,000	
		65,700	64,454
Jan. 30, 1973	Administrative Services.....	13,200	—
Jan. 30, 1973	Personnel Services.....	29,900	26,278
	Ontario House:		
Jan. 16, 1973	Order.....	\$70,000	
Jan. 30, 1973	Order.....	14,200	
		84,200	84,122
Oct. 17, 1972	Special Projects.....	250,000	245,805
	Industrial, Trade and Tourism Development Program:		
Mar. 27, 1973	Trade Development.....	5,000	—
	Tourism Development:		
June 27, 1972	Order.....	\$ 81,000	
Mar. 27, 1973	Order.....	605,000	
		686,000	646,175
	Ontario Place Program:		
Sept. 19, 1972	Ontario Place Development.....	790,000	789,416



DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of Industry and Tourism—Continued</b>		
Mar. 13, 1973	Industrial Incentives and Development Program: Northern Ontario Development Corporation.....	494,000	182,201
		2,418,000	2,038,451
	<b>Ministry of Labour</b>		
	Ministry Administration Program:		
April 3, 1973	Main Office.....	70,000	52,379
Mar. 20, 1973	Personnel.....	15,000	5,660
	Occupational Safety Program:		
Mar. 20, 1973	Industrial Safety.....	27,000	9,252
	Industrial Relations Program:		
	Program Administration:		
Jan. 23, 1973	Order..... \$40,000		
April 3, 1973	Order..... 15,000		
		55,000	47,119
Mar. 20, 1973	Labour Relations Board.....	72,000	45,198
	Employment Services Program:		
Mar. 20, 1973	Employment Standards.....	100,000	52,650
		339,000	212,258
	<b>Ministry of Natural Resources</b>		
	Ministry Administration Program:		
April 17, 1973	Main Office.....	45,000	42,181
Mar. 20, 1973	Field Operational Services.....	258,000	235,861
Mar. 20, 1973	Financial Management.....	101,000	72,683
April 10, 1973	Administrative Services.....	42,000	—
Mar. 20, 1973	Information Services.....	45,000	24,958
Mar. 20, 1973	Research.....	206,000	154,670
	Land Management Program:		
April 10, 1973	Program Administration.....	58,000	34,057
April 17, 1973	Environmental Protection.....	320,000	149,192
	Extra Fire Fighting:		
June 27, 1972	Order..... \$600,000		
July 11, 1972	Order..... 650,000		
Aug. 8, 1972	Order..... 750,000		
Oct. 3, 1972	Order..... 250,000		
		2,250,000	2,249,965
April 17, 1973	Surveys and Engineering.....	260,000	211,274
April 10, 1973	Mining Lands.....	78,000	40,291
	Outdoor Recreation Program:		
	Program Administration:		
Nov. 28, 1972	Order..... \$300,000		
April 10, 1973	Order..... 150,000		
		450,000	433,239

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of Natural Resources—Continued</b>		
	Fish and Wildlife:		
April 10, 1973	Order.....	\$114,000	
April 17, 1973	Order.....	112,000	
Feb. 20, 1973	Historical Parks.....	226,000	172,386
		460,000	384,487
April 10, 1973	Renewable Resource Development Program:		
	Program Administration.....	48,000	37,351
April 10, 1973	Industry Information, Support and Sales:		
April 17, 1973	Order.....	\$131,000	
	Order.....	200,000	
		331,000	261,162
Mar. 20, 1973	Non-Renewable Resource Development Program:		
Mar. 20, 1973	Program Administration.....	16,000	14,467
	Mines Engineering.....	59,000	49,012
Mar. 20, 1973	Laboratory Services:		
April 17, 1973	Order.....	\$40,000	
	Order.....	6,000	
April 17, 1973	Ontario Energy Board.....	46,000	45,832
		10,000	3,480
		5,309,000	4,616,548
	<b>Ministry of Transportation and Communications</b>		
April 10, 1973	Ministry Administration Program:		
Mar. 27, 1973	Main Office.....	126,000	70,466
April 17, 1973	Toll Bridge Collection Costs.....	61,000	60,192
	Office Services.....	220,000	173,297
April 10, 1973	Maintenance Program:		
April 10, 1973	General Maintenance.....	500,000	—
April 10, 1973	District Administrative Services.....	285,000	80,247
April 10, 1973	Municipal Maintenance.....	550,000	523,481
April 10, 1973	Supply and Special Services.....	247,000	223,905
April 10, 1973	Construction Program:		
April 10, 1973	Construction and Property Acquisition.....	2,251,000	2,021,335
	Construction Services.....	1,300,000	293,956
Mar. 6, 1973	Public Operations Program:		
	Third Level Air Carrier Service Demonstration..	7,000	1,817
Mar. 27, 1973	Vehicles and Drivers Program:		
April 10, 1973	Driver Examination.....	362,000	361,815
	Highway Safety Co-ordination and Promotion....	43,000	42,899
Mar. 27, 1973	Common Carriers Program:		
April 17, 1973	Ontario Highway Transport Board.....	33,000	23,219
	P.V. and P.C.V. Licensing.....	15,000	9,838
		6,000,000	3,886,467

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of Colleges and Universities</b>		
	Ministry Administration Program:		
	Main Office:		
Feb. 6, 1973	Order.....	\$63,500	
Mar. 27, 1973	Order.....	31,000	
		94,500	65,315
	Post-Secondary Education Support Program:		
Mar. 27, 1973	Program Administration.....	25,000	24,692
	Industrial Training:		
Mar. 27, 1973	Order.....	\$50,000	
April 17, 1973	Order.....	49,000	
		99,000	—
	Cultural and General Education Support Program:		
April 17, 1973	Public and Regional Library Services.....	13,000	1,249
	Grants to Institutions and Organizations:		
Mar. 20, 1973	Order.....	\$357,000	
April 3, 1973	Order.....	50,000	
		407,000	403,330
	Archives and Records Management Program:		
	Archives:		
Mar. 27, 1973	Order.....	\$ 9,000	
April 17, 1973	Order.....	10,000	
		19,000	18,125
	Records Management:		
Mar. 6, 1973	Order.....	\$43,000	
April 10, 1973	Order.....	4,000	
		47,000	46,690
	Advisory Committees Program:		
	Other Advisory Bodies:		
Aug. 29, 1972	Order.....	\$93,300	
Mar. 13, 1973	Order.....	78,000	
		171,300	168,417
		875,800	727,818
	<b>Ministry of Community and Social Services</b>		
	Ministry Administration Program:		
	Main Office:		
Feb. 20, 1973	Order.....	\$152,000	
Mar. 6, 1973	Order.....	3,000	
		155,000	150,599
Feb. 27, 1973	Soldiers' Aid Commission.....	2,100	2,095
	Regional Administration:		
Feb. 27, 1973	Order.....	\$43,000	
May 29, 1973	Order.....	1,700	
		44,700	44,671
Feb. 27, 1973	Communication Services.....	14,000	45
Feb. 6, 1973	Legal Services.....	13,000	6,868
	Financial and Administrative Services:		
Feb. 27, 1973	Order.....	\$108,000	
May 29, 1973	Order.....	1,900	
		109,900	109,850



DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of Community and Social Services—Continued</b>		
	Assistance and Rehabilitation Services Program:		
	Legal Aid Assessment:		
Feb. 27, 1973	Order.....	\$30,000	
April 10, 1973	Order.....	15,000	
		45,000	23,636
	Community Services Program:		
	Citizenship:		
Feb. 27, 1973	Order.....	\$135,100	
April 3, 1973	Order.....	30,000	
May 29, 1973	Order.....	700	
		165,800	165,742
	Community Development:		
Jan. 30, 1973	Order.....	\$15,000	
Feb. 27, 1973	Order.....	10,000	
Mar. 6, 1973	Order.....	23,500	
		48,500	40,114
Feb. 27, 1973	Indian Community.....	21,000	8,623
	Youth, Recreation and Leadership Training:		
Jan. 16, 1973	Order.....	\$528,000	
Mar. 27, 1973	Order.....	589,000	
		1,117,000	1,062,021
		1,736,000	1,614,264
	<b>Ministry of Education</b>		
	Ministry Administration Program:		
Mar. 13, 1973	Ministry Business Administration.....	26,000	25,971
Mar. 13, 1973	Data Processing Operating Costs.....	200,000	199,932
Mar. 13, 1973	Personnel Services.....	24,000	11,697
Jan. 23, 1973	Grants.....	200,000	181,535
	Formal Education K-13 Program:		
Mar. 13, 1973	Curriculum Development.....	150,000	149,785
Mar. 13, 1973	Regional Services.....	293,000	242,550
Mar. 13, 1973	Correspondence Courses.....	88,000	22,552
	Assistance to School Authorities Program:		
	Program Administration:		
Jan. 30, 1973	Order.....	\$64,000	
April 10, 1973	Order.....	8,000	
		72,000	70,271
	Financial Assistance to School Authorities:		
Feb. 20, 1973	Order.....	\$15,397,000	
Mar. 6, 1973	Order.....	19,400,000	
		34,797,000	33,242,628
		35,850,000	34,146,921
	<b>Ministry of Health</b>		
	Ministry Administration Program:		
April 10, 1973	Financial and Administrative Services.....	87,000	732
Mar. 20, 1973	Management Analysis Services.....	48,000	45,299

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of Health—Continued</b>		
April 10, 1973	Health Promotion and Disease Prevention Program: Laboratory Services.....	434,000	240,911
April 10, 1973	Treatment and Rehabilitation Program: Hospital Management Services.....	113,000	108,313
April 3, 1973	Psychiatric and Retardation Program: Patient Services.....	1,427,000	171,600
Aug. 30, 1973	Ontario Health Insurance Program: Program Administration.....	636,000	635,964
		2,745,000	1,202,819
	<b>Total Management Board Orders.....</b>	<b>109,843,100</b>	<b>96,631,751</b>

## EXHIBIT 6

## SPECIAL WARRANTS

STATEMENT OF SPECIAL WARRANTS ISSUED DURING THE FISCAL YEAR  
ENDED MARCH 31, 1973

DATE OF WARRANT	SERVICE	AUTHORIZED	EXPENDED
	<b>Ministry of Revenue</b>	\$	\$
Feb. 14, 1973	Providing funds for grant in lieu of taxes to the Township of Chinguacousy for 1972.....	190,877	190,877
	<b>Ministry of Community and Social Services</b>		
Feb. 7, 1973	Assisting the Kapuskasing Board of Education with the cost of constructing an indoor swimming pool for use as a recreation facility by the residents of the Town of Kapuskasing and surrounding area..	15,000	15,000
Feb. 21, 1973	Payment to assist the Corporation of the Town of Hawkesbury with the cost of constructing a new centre to be used as a day nursery and public library.....	27,000	27,000
Feb. 21, 1973	Payment for discharging indebtedness of Centres d'Accueil Champlain in connection with a home for the aged at 275 Perrier Street, Ottawa.....	970,000	956,693
	<b>Total Special Warrants.....</b>	<b>1,202,877</b>	<b>1,189,570</b>



**CROWN AGENCIES AUDITED BY  
THE OFFICE OF PROVINCIAL AUDITOR  
For the Fiscal Year Ended March 31, 1973**

Accountant's Office, Supreme Court of Ontario  
Agricultural Rehabilitation and Development Directorate of Ontario  
Alcoholism and Drug Addiction Research Foundation  
Canadian Conference on Historical Resources  
The Centennial Centre of Science and Technology  
Commissioner of Agricultural Loans

- \*The Crop Insurance Commission of Ontario
- \*The Fund for Milk and Cream Producers, The Milk Commission of Ontario
- \*Housing Corporation Limited
  - The John Graves Simcoe Memorial Foundation
  - The Law Society of Upper Canada, Legal Aid Fund
  - Legislative Assembly Retirement Allowances Account
- \*Liquor Control Board of Ontario
  - Liquor Licence Board of Ontario
  - The Niagara Parks Commission
- \*Northern Ontario Development Corporation
  - The Office of The Official Guardian
  - The Ontario Cancer Treatment and Research Foundation
- \*Ontario Development Corporation
- \*The Ontario Education Capital Aid Corporation
  - The Ontario Educational Communications Authority
  - Ontario Food Terminal Board
  - The Ontario Heritage Foundation
- \*Ontario Housing Corporation
  - Ontario Housing Corporation—Metropolitan Toronto Federal-Provincial Projects
  - Ontario Industrial Training Institute
- \*The Ontario Junior Farmer Establishment Loan Corporation
- \*The Ontario Municipal Improvement Corporation
- \*Ontario Northland Transportation Commission
- \*Ontario Place Corporation
  - The Ontario Producers, Processors, Distributors and Consumers Food Council
  - Ontario Racing Commission
  - Ontario Stock Yards Board
- \*Ontario Student Housing Corporation
- \*The Ontario Universities Capital Aid Corporation
  - Pension Commission of Ontario
  - Province of Ontario Council for the Arts
- \*The Province of Ontario Savings Office
  - Public Service Superannuation Fund
  - The Public Trustee of The Province of Ontario
  - The St. Lawrence Parks Commission
  - Settlers' Loan Commissioner
  - Star Transfer Limited

## EXHIBIT 8

**MINISTRY OF CORRECTIONAL SERVICES  
REVISED DETAILS OF EXPENDITURES  
VOL. 3 PUBLIC ACCOUNTS 1971-72**

**TRAVELLING EXPENSES (\$572,078)**

Hon. C. J. S. Apps, 2,700; R. C. Bechard, 2,656; R. O. Belanger, 2,504; E. A. Brown, 3,094; V. Cashabeck, 3,251; R. Davies, 2,891; J. Dewar, 3,679; J. O. Doyle, 2,880; L. J. Hansen, 2,722; Holiday Inn, 14,758; H. R. McMann, 2,892; H. G. MacDonald, 3,088; E. G. Mireau, 2,733; J. S. Morrison, 2,712; L. W. Parr, 2,527; J. L. Walton, 2,768; Other Accounts under \$2,500, 514,223.....

572,078

**MATERIALS, SUPPLIES, ETC. (\$16,578,799)**

Alumicor. Ltd., 21,192; American Can Co. of Canada, Ltd., 90,290; American Motors (Canada), Ltd., 26,420; Len Ariss and Co. Ltd., 182,601; G. H. Arnold Building Contractor, 20,989; Atlantic Sugar Refineries Co., Ltd., 15,651; Atwell Fleming Printing Co., Ltd., 29,196; Bailey and Linklater, 40,950; Bama Contracting Ltd., 45,633; Beaver Lumber Co., Ltd., 24,182; Bell and Howell Canada, Ltd., 13,473; Bell Canada, 254,428; Bennett Glass Co., Ltd., 30,410; Beverley Decorating Centre, 25,509; Bill's Concrete Foundations, 10,749; Borden Co., Ltd., 15,091; Bowmanville Public Utility Commission, 10,807; Boy Scouts of Canada, 11,003; B.P. Oil, Ltd., 72,997; Bradshaw Stradwick Products, Ltd., 11,859; Brampton Hydro Electric Commission, 34,664; Brantford Township Hydro-Electric Commission, 11,186; G. A. Braun Canada, Ltd., 13,309; Bristol-Myers Canada, Ltd., 10,524; Burns Foods, Ltd., 85,772; Caldwell Linen Mills, Ltd., 92,475; Canada Bread Co., Ltd., 14,698; Canadian General Electric Co., Ltd., 18,936; Canadian Industries Ltd., 11,812; Canadian Laboratory Supplies, Ltd., 15,060; Canadian National Railways, 24,578; Canadian Pacific Railways, 12,004; Canada Packers, Ltd., 131,199; Canadian Vinegars, Ltd., 18,618; Cassidys, Ltd., 18,139; Central Scientific Co. of Canada, Ltd., 11,367; Chemical Protection Co., Ltd., 12,916; Christie's Bread, 28,828; Chrysler Canada Ltd., 35,953; Chubb-Mosler and Taylor Safes, Ltd., 103,193; City of Toronto, 10,575; Club Coffee Co., Ltd., 15,112; Co-Opérative Régionale de Nipissing-Sudbury, Ltd., 15,881; Cobourg City Dairy Ltd., 13,037; Cochrane-Dunlop Hardware, Ltd., 35,584; Glen Colbeck, 18,717; Coleman Packing Co., Ltd., 11,862; Consumers' Gas Co., 81,141; Continental Pants Mfg., Ltd., 10,352; Correctional Centre Burch, 134,088; Correctional Centre Burwash, 54,964; Correctional Centre Guelph, 967,005; Correctional Centre Millbrook, 103,352; Correctional Centre Mimico, 66,435; Correctional Centre Rideau, 18,498; George Courey and Sons, Ltd., 17,637; Cyto-Med Laboratories, 10,781; Dalex Industries, Ltd., 10,137; Daly Construction, Ltd., 67,510; Davis Agency of London, 10,548; Deacon Bros. Sportswear, Ltd., 18,342; Dearborn Chemical Company, Ltd., 11,071; Decca Produce, 24,304; Dental Company of Canada Ltd., 14,262; Department of Education, 70,090; Department of Health, 44,004; Department of Transportation and Communications, 20,066; Department of Public Works, 334,796; O. B. Dickinson, 25,220; Dodge Construction Co., Ltd., 184,976; Dominion Dairies, Ltd., 27,245; Dominion Foundries and Steel, Ltd., 196,903; Dominion Textile Co., Ltd., 61,547; Doughty McFarlane Co., Ltd., 15,851; Drummond, McCall and Co., Ltd., 11,742; D.X. Oil Co., 29,199; T. Eaton Co., Ltd., 46,393; Emco Ltd., 16,688; Empire Shirt Mfg. Co., Ltd., 17,216; Essex Packers, Ltd., 12,765; Etobicoke Township Hydro Electric Commission, 14,348; Evans Lumber Builders Supply, Ltd., 11,303; Everist Brothers, Ltd., 29,515; Feldman Bros. & Wise, Ltd., 17,083; Fibracan Inc., 10,841; Firth Bros., Ltd., 45,162; Flexsteel Industries (Canada), Ltd., 10,960; Ford Motor Co. of Canada, Ltd., 14,795; Fort William Sanatorium, 21,369; Foster Home Maintenance, 769,099; K. Freund, 11,000; Gamble-Robinson, Ltd., 26,164; General Bakeries, Ltd., 12,759; General Motors of Canada, Limited, 20,215; Genesco of Canada, Ltd., 10,632; Gilvesy Construction, Limited, 90,159; Ginn-McLean Hardware Co., Ltd., 23,951; G. L. Construction Co., 34,282; Glen Rae Dairy, 10,639; Lawrence Gotkind, 24,700; Gray Coach Lines, Ltd., 27,049; Greb Shoes, Ltd., 73,457; Guelph Hydro, 42,933; Gulf Oil Canada, Ltd., 73,376; Harrison Hewitt, Ltd., 12,590; R. B. Hayhoe and Co., Ltd., 31,883; H. Hearst and Co., Ltd., 10,901; Hickeson Langs Supply Co., 139,792; Hickling Johnston, Ltd., 12,432; Hobart Manufacturing Co., Ltd., 16,256; House of Concord, 13,412; Hudson's Bay Co.,

16,988; Ideal Food Service Equipment, 15,766; Imperial Oil, Ltd., 39,981; Imperial School Desks, Ltd., 11,560; Imperial Tobacco Products, Ltd., 53,690; Inter Royal Corporation, Ltd., 23,467; The International Nickel Co. of Canada, Ltd., 12,024; International Business Machines Co. (Canada), Ltd., 36,179; Robert Johnston Office Equipment, Ltd., 15,681; Kelly Cleaners, 10,214; Kert Manufacturing Company, Ltd., 12,886; André Knight, Ltd., 12,449; Larco Turnkey Buildings, Limited, 10,408; Lewiscraft, 17,594; Liquifuels, Ltd., 150,807; Lockington Sports, Ltd., 18,450; M. Loeb, Ltd., 10,805; Lord and Burnham Co., Ltd., 18,980; Lumsden Bros., Ltd., 17,546; Alex Lyons Contractor, 46,840; McLaughlin's Packing Co., Ltd., 25,532; MacDonald Tobacco Incorporated, 131,119; MacDonald Tobacco Marketing, Ltd., 16,821; MacIver and Lines, Ltd., 13,214; MacMillan Bloedel Building Materials, 20,634; MacNab Bus Sales, 18,456; Maher Shoes, Ltd., 45,688; Maple Lodge Farms, Ltd., 34,749; Richard Meen, 18,915; G. A. Mellow, 10,738; Metal Koting Continuous Colour Coat, Ltd., 21,645; 3M Canada, Limited, 30,056; Monsanto Canada, Ltd., 16,126; G. A. Morrison & Son Coal Co., 16,723; Mother Parker's Foods, Ltd., 36,918; Moyer Vico, Ltd., 10,409; Myers Coal Co., Ltd., 17,333; National Cash Register Co. of Canada, Ltd., 24,077; National Grocers Co., Ltd., 102,932; Nelkin Construction, Ltd., 67,409; Nickel Brand Produce Co., Ltd., 11,776; Nickel Belt Aluminum of Sudbury, Limited, 19,604; North End Store, 17,808; Northern and Central Gas Corp., Ltd., 13,166; Northern Electric Co., Ltd., 18,189; Northern Flooring, Limited, 22,729; Northern Telephone, Ltd., 10,683; Office Specialty, Ltd., 12,788; Olivetti Canada, Limited, 14,288; Omega Vatri Consolidated Marble Co., Ltd., 13,442; Ontario Hydro, 180,779; Wm. Parker Construction, Ltd., 11,109; Pearl Produce, Ltd., 10,419; The Peel Creamery, 13,567; Peerless Machine and Tool Co., Ltd., 18,298; Penmans Ltd., 31,771; N. E. Price, 10,800; Public Utilities Commission of Cobourg, 10,859; Public Utilities Commission of Galt, 10,255; Quatic Chemicals, Ltd., 11,464; Queen's Printer, 16,221; Receiver General of Canada, 65,846; Redpath Sugars, Limited, 31,029; Reesors Marmill Ltd., 43,149; Evelyn Richardson, 12,995; James Richardson and Sons, Ltd., 11,613; Rite-Way Decorators, 39,571; Riverdale Hospital, 58,234; Rocamora Bros., Ltd., 11,113; Rochester and Pittsburgh Coal Co. (Canada) Ltd., 73,535; W. G. Ross Building Corporation, Ltd., 101,951; Rothmans of Pall Mall Canada, Ltd., 36,417; Rudolph's Fine Meat Products, 15,932; Russelsteel, Ltd., 24,664; Rutherford's Dairy Ltd., 11,756; Safety Supply Co., 14,611; Sainthill-Levine Uniforms Canada, Ltd., 30,835; Sakiyama Ontario, Ltd., 24,748; Schermerhorn Paint Products Inc., 10,275; Schwenker Builders, Limited, 19,638; Shell Canada, Ltd., 58,759; Silverwood Dairies, Ltd., 12,371; Simcoe Public Utilities Commission, 15,063; Robert Simpson Co. Ltd., 34,385; W. P. Smith Trading, Ltd., 11,633; Sports Equipment of Toronto, Ltd., 37,437; St. Joseph's Hospital, 24,813; St. Lawrence Foods, 10,597; R. V. Stafford Agencies, Ltd., 17,139; The Steel Company of Canada, Ltd., 251,360; Steelcase Canada, Ltd., 26,352; Swift Canadian Co. Ltd., 43,518; Szaki Building and Woodworking Contractor, 20,027; Terrapin Unit Building System, 281,242; Texaco Canada, Ltd., 62,564; Thomson Groceries, Ltd., 18,788; A. O. Timm Contracting, Ltd., 118,694; Toronto Hydro, 22,395; Town of Brampton, 11,263; Treasurer of Ontario, 11,662; Trent University, 16,300; Twinpack, Ltd., 16,254; Tyes Dairy, Ltd., 13,016; Union Carbide Canada Ltd., 15,574; Union Gas Co. of Canada, Ltd., 18,698; Uniroyal, Ltd., 14,056; United Co-operatives of Ontario, 13,971; University of Guelph, 12,050; Valley View Dairy, 16,384; Vanier Centre for Women, 52,235; E. J. Varley Trading Co., Ltd., 10,320; Versafood Services, Limited, 17,092; Vineland Growers Co-op, Ltd., 38,419; Wabasso, Ltd., 69,582; Waldale Orchards, 27,594; Western Store Equipment Co., Ltd., 10,040; Weston Bakeries, Ltd., 14,438; Whitney Construction, Ltd., 165,860; Whitney Maintenance, Ltd., 12,481; J. E. Wiegand and Co., Ltd., 32,584; Wilde Electric, Ltd., 10,010; Wilkinson and Kompass, Ltd., 10,085; A. R. Williams Machinery Co., Ltd., 15,882; G. H. Wood and Co., Ltd., 36,178; W. F. Wright, 32,959; Xerox of Canada, Ltd., 31,189; Y & W Sportswear Inc., 24,453; Young Robertson, Ltd., 19,222; A. B. Zacks, 29,533; Gratuities, 329,206; Accounts under \$10,000—5,835,722

16,578,791



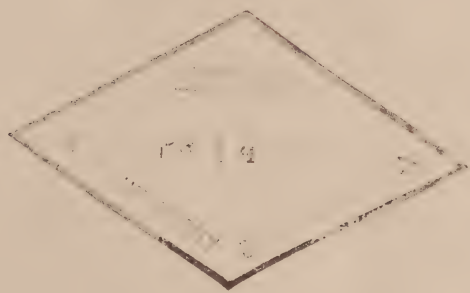
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Provincial Auditor's Office.

Government  
Publications



report of the  
PROVINCIAL AUDITOR  
to the  
LEGISLATIVE ASSEMBLY  
of Ontario



for the year ended March 31  
1974





report of the  
PROVINCIAL AUDITOR  
to the  
LEGISLATIVE ASSEMBLY  
of Ontario

for the year ended March 31

1974



TORONTO  
PRINTED AND PUBLISHED BY THE QUEEN'S PRINTER  
1974

THE HONOURABLE  
PAULINE M. MCGIBBON, O.C., LL.D., D.U.(OTT.)  
*Lieutenant Governor of the Province of Ontario*

Madam:

I have the honour to present my report for the fiscal year ended March 31, 1974, in accordance with the requirements of The Audit Act.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'F. N. Scott', followed by the letters 'C.A.' in a smaller, printed-style font.

F. N. SCOTT, C.A.,  
*Provincial Auditor.*

Toronto, November 29, 1974.





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## REPORT OF THE PROVINCIAL AUDITOR 1973 - 74

### GENERAL

**1. Audit Responsibilities.** The audit responsibilities of the Provincial Auditor are twofold, and involve the examination of:

- (i) The accounts of the Province in accordance with his appointment as auditor under The Audit Act, R.S.O. 1970, chapter 36, as amended.
- (ii) The accounts of Boards, Commissions and other Crown Agencies in accordance with his appointment as auditor under various related statutes or other appropriate authority.

The examination of the accounts of the Province for the year ended March 31, 1974 was made in conformity with sections 9 and 19 of The Audit Act which read as follows:

"9.—(1) Except where otherwise provided, the Auditor shall examine on behalf of the Assembly all accounts of expenditure of public moneys out of the Consolidated Revenue Fund, whether held in trust or otherwise.

(2) The Auditor shall satisfy himself that every account requisitioned for payment is in accordance with the terms and conditions of the grant to which the account relates. R.S.O. 1970, c. 36, s. 9 (1, 2).

(3) The Auditor, after satisfying himself that a voucher has been examined and certified as correct by the ministry concerned, may, in his discretion and having regard to the character of the departmental examination, admit it as satisfactory, but, if the Management Board of Cabinet desires any voucher to be examined in greater detail, the Auditor shall do so. R.S.O. 1970, c. 36, s. 9 (3); 1972, c. 1, s. 2.

19.—(1) The Auditor shall, on behalf of the Assembly, examine in such manner as he considers necessary all accounts of receipts and disbursements of public moneys forming part of the Consolidated Revenue Fund whether held in trust or otherwise in order to ascertain that adequate regulations and procedures are in operation,

(a) to secure an effective check of the assessment, collection and allocation of revenue; and

(b) to ensure that expenditures have been made in accordance with legislative authority. 1971, c. 54, s. 4.

(2) The Auditor shall satisfy himself as to the correctness of the accounts mentioned in subsection 1. R.S.O. 1970, c. 36, s. 19 (2)."

Section 9 of The Audit Act had application only to the expenditures of Ministries which were subject to pre-audit by the Provincial Auditor. Each Ministry was subject to pre-audit of expenditure until effectively designated for post-audit under The Ministry of Treasury, Economics and Intergovernmental Affairs Act, 1972. As at April 1, 1973 only six Ministries had not been so designated. These six Ministries were designated for post-audit during the 1973-74 fiscal year, the last of which was designated effective March 1, 1974.

The expenditures of the six Ministries from April 1, 1973 until the effective dates of their designation for post-audit were audited in accordance with section 9 of The Audit Act. Expenditures subsequent to the effective date of designation were subject to post-audit in accordance with section 19 of The Audit Act.

All 1973-74 expenditures of the other twenty-three Ministries were subject to examination on a post-audit basis, and hence in accordance with above referenced section 19. All 1973-74 revenue accounts were subject to examination on the same basis.

For the fiscal year ended March 31, 1974 the Provincial Auditor had audit responsibility for forty Boards, Commissions and other Crown Agencies pursuant to his appointment as auditor under the various related statutes. These Agencies are listed in Exhibit 6 to this Report. Five of these Agencies were inactive during 1973-74. Further comment in this regard is contained in sections 141-142.

The Provincial Auditor had audit responsibility during the year for six other Agencies as a result of his appointment as auditor by shareholders or membership bodies. A listing of these Agencies also appears in Exhibit 6.

Exhibit 6 lists five other operations for which the Provincial Auditor's audit responsibility has not been specifically designated. The Provincial Auditor has undertaken to audit them on the same basis as Crown Agencies. In each case the audit is made in accordance with the Provincial Auditor's responsibilities under The Audit Act.

It should be noted that not all Crown Agencies are audited by the Provincial Auditor. In accordance with relevant legislation, public accountants have been designated as auditors for certain Agencies. These Agencies include Art Gallery of Ontario, Clarke Institute of Psychiatry, Ontario Cancer Institute, Ontario Hydro, The Ontario Institute for Studies in Education, Ontario Mental Health Foundation, Ontario Municipal Employees Retirement Board, Ontario Research Foundation, The Royal Ontario Museum, St. Clair Parkway Commission, Teachers' Superannuation Commission, and Workmen's Compensation Board. For further comment on the Workmen's Compensation Board see section 143.



**2. Reporting Responsibilities.** Under section 20 of The Audit Act, the Provincial Auditor is required to report to the Legislative Assembly on the results of his examinations. Section 20 reads as follows:

"20.—(1) The Auditor shall make an annual report to the Assembly respecting the fiscal year then closed,

- (a) as to his examination of accounts of receipts and payments of public moneys;
- (b) as to his examination of the statements of assets and liabilities, the Consolidated Revenue Fund, the net general revenue and expenditure and related statements in which he shall express an opinion as to whether the statements present fairly the financial position of the Province and the results of its operations and whether the statements were prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period;
- (c) as to all special warrants issued and the amounts expended thereunder;
- (ca) as to all cheques for the issue of which he has refused to certify, citing the date and the amount of any expenditures incurred in consequence thereof;
- (d) as to all orders of the Management Board of Cabinet issued for the authorization of expenditure in excess of appropriations, citing the date, the amount authorized and the amount expended;
- (e) as to any important change in the extent or character of any examination made by him; and
- (f) as to such matters as he desires to bring to the attention of the Assembly. R.S.O. 1970, c. 36, s. 20 (1); 1971, c. 54, s. 5 (1).

(2) The report of the Auditor shall be delivered to the Lieutenant Governor in Council and laid before the Assembly not later than the tenth day of the first session held in the following calendar year. 1971, c. 54, s. 5 (2)."

For reference and identification purposes the above legislative provisions can be related to the content of this Report, or otherwise commented upon as follows:

- 20(1)(a) } : Refer to "Comments on Revenue and Expenditure  
20(1)(f) } Transactions" (sections 73-139) and "Comments on  
Crown Agency Transactions" (sections 140-164).
- 20(1)(b) : Refer to "Expression of Opinion on the Financial  
Statements of the Province" (section 4), "Assets and  
Liabilities" (sections 6-22) and "Consolidated Revenue  
Fund" (sections 23-72).
- 20(1)(c) : There were no amounts expended under Special Warrants  
during the 1973-74 fiscal year (section 78).
- 20(1)(d) : Refer to Exhibit 4.
- 20(1)(ca) : There were no such occurrences during the 1973-74 fiscal  
year.
- 20(1)(e) : In its interim report dated December 15, 1970, the  
Committee on Government Productivity recommended  
"that the present pre-audit by the Provincial Auditor  
should be replaced by proper departmental accounting  
systems reinforced by a thorough post-audit carried  
out by professional staff under the Provincial Auditor".  
Implementation of this recommendation was concluded  
during the 1973-74 fiscal year, thus completing the  
evolution of expenditure reviews from a pre-audit to  
a post-audit basis as explained in section 1. Other-  
wise, no significant changes were made during the year  
in the extent or character of my examination.

This Report does not contain comments relating to Crown Agencies audited by public accountants. This practice is consistent with section 21 of The Audit Act which reads:

"Nothing in this Act shall be construed to require the Auditor to examine or report upon the accounts of any agency of the Crown if the Lieutenant Governor in Council, in pursuance of statutory authority in that behalf, has designated another auditor to examine and report upon the accounts of such agency. R.S.O. 1970, c. 36, s. 21."

**3. Public Accounts.** The Public Accounts are prepared under the direction of the Treasurer of Ontario as provided for in section 13 of The Ministry of Treasury, Economics and Intergovernmental Affairs Act, 1972. This section reads as follows:

"The Public Accounts for the 1971-72 fiscal year and subsequent years shall be prepared under the direction of the Treasurer and shall be delivered to the Lieutenant Governor in Council and laid

before the Assembly not later than the tenth day of the first session held in the following calendar year."

Our audit of the Public Accounts consists of an examination of the financial statements of the Province appearing in Volume 1, and on which I express an opinion. Volume 2 contains reproductions of audited financial statements of certain Crown Agencies. The details of expenditure appearing in Volume 3 are not reviewed by this Office prior to publication but are subject to examination during our subsequent post-audit of the Ministry concerned.

**4. Expression of Opinion on the Financial Statements of the Province.** I report that I have examined the Statement of Assets and Liabilities of the Province of Ontario as at March 31, 1974, the Statement of Consolidated Revenue Fund, the Revenue and Expenditure statement, and the related financial statements appearing in Volume 1 of the Public Accounts for the year ended on that date. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion these financial statements present fairly the financial position of the Province as at March 31, 1974 and the results of its operations for the year then ended, and were prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. The generally accepted accounting principles are those relative to government accounting and are fully described under the heading of 'Basis of Reporting' on Page 8 of Volume 1 of the Public Accounts.

**5. Basis of Financial Statement Presentation.** The 'Basis of Reporting' referred to in my expression of opinion on the financial statements of the Province reads as follows:

"The financial statements of the Province of Ontario reflect the use of the 'cash flow' principle of accounting. This method, modified to allow an additional thirty days to pay for goods and services pertaining to the fiscal year just ended, offers a precise measurement of government activity for a fiscal year. This, rather than the 'accrual' principle, is utilized because of two fundamental characteristics of government reporting which set it apart from commercial practice.

The first characteristic is the constitutional principle which underlies the system. The Legislature votes sums of money to specified ministries for stated purposes. The Legislature provides for the required money by authorizing the government to levy taxes or to

borrow. The accounts of the Government therefore are a record of stewardship and reflect the accountability to the Legislature for the management and disposition of monies levied, entrusted and spent. The purpose of the Public Accounts in Government is to explicitly display that stewardship as revenue flows into and expenditure flows out of the Consolidated Revenue Fund.

The second characteristic is that there is no direct commercial relationship between government revenues and government expenditures. This obviates the 'matching' benefit provided by accrual accounting. Expenditures are incurred for the operation of a wide range of services which have been established by government policy. Taxation, the major source of revenues, is imposed on those parts of the economy best able to finance government programs and is also a fiscal policy instrument for the Government in terms of its incidence and in its relationship to expenditures.

The transactions of the Province of Ontario are presented in summary form according to the three distinct areas of government activity through the Consolidated Revenue Fund:

'Budgetary Transactions', are operational activities which include the revenues raised through taxation, premiums, fees, licences and permits, payments from the federal government under shared-cost programs, and income from investments. Expenditures on government programs include payments for goods and services, interest on the public debt, salaries, transfer payments to individuals, municipalities and institutions under various social programs, subsidies and grants and the acquisition or creation of fixed assets. Government assets are generally of lasting value and may tend even to appreciate over time; e.g. parkland, public works or the highway system. Their benefit to future taxpayers is not significantly different from expenditures on education or health care. For these reasons Provincial expenditures on fixed assets are treated as non-recoverable expenditures of each fiscal year. The extent to which revenue exceeds or falls short of expenditure directly decreases or increases the net debt.

'Non-Budgetary Transactions', are the lending, investment and trust administration functions which include, as distinct from expenditure, the government lending and investment activity in various crown corporations, agencies and municipalities. All of these loans and advances are repayable or represent equity holdings supported by the assets of the corporations. Net changes are reflected in the year-to-year fluctuation on the Statement of Assets and Liabilities. Also included in this



category is the activity within deposit, trust and certain special purpose accounts, all of which bear directly on the Statement of Assets and Liabilities.

'Debt Transactions', are the borrowing and repayment transactions which include obligations issued to both non-public and public sources of funds and are reflected directly in the Statement of Assets and Liabilities.

The Net Debt of the Province is the excess of liabilities over revenue-producing and realizable assets. Year-to-year changes in net debt are related directly to the amount by which revenues exceed or are less than expenditures on budgetary transactions."

## ASSETS AND LIABILITIES

**6. Introductory Comments.** The Statement of Assets and Liabilities of the Province of Ontario as at March 31, 1974 with comparative figures for 1973, as shown in the Public Accounts, is reproduced as Exhibit 1 to this Report. In keeping with the basis of financial reporting outlined in section 5 of this Report, the Statement of Assets and Liabilities includes only those assets and liabilities resulting from cash transactions and which are deemed to affect Net Debt. Memorandum records of certain other assets and liabilities are maintained for internal control purposes. The memorandum accounts for Accounts Payable; Accounts Receivable; and Equipment, Stores, Livestock and Materials at March 31, 1974 are shown in Volume 1 of the Public Accounts for 1973-74, pages 49-50.

**7. Summary of Assets and Liabilities.** For reference purposes a summary of assets and liabilities as at March 31, 1974, is as follows. Comparative figures for the preceding year have been reclassified and restated, where necessary, to conform with the 1974 presentation.

	<i>March 31, 1974</i>	<i>March 31, 1973</i>
ASSETS		
	\$	\$
Cash and Temporary Investments (at cost) . . . . .	933,211,187	952,511,764
Advances to Ontario Hydro . . . . .	1,478,211,011	1,262,307,573
Advances and Investments—		
Crown Corporations, Boards and Commissions . . . . .	3,240,677,962	2,876,776,557
Investments in Water Treatment and Waste Control		
Facilities (at cost less recoveries) . . . . .	408,067,331	337,895,860
Loans to Municipalities . . . . .	181,307,301	165,089,840
Other Loans and Investments (at cost) . . . . .	197,559,422	188,630,675
Fixed Assets . . . . .	1	1
Inactive Assets . . . . .	4,350,546	4,395,861
	<hr/>	<hr/>
Total Assets . . . . .	6,443,384,761	5,787,608,131
Less: Reserve for Inactive Assets . . . . .	4,350,546	4,350,546
	<hr/>	<hr/>
Net Realizable Assets . . . . .	6,439,034,215	5,783,257,585
Net Debt . . . . .	2,901,508,846	2,522,043,433
	<hr/>	<hr/>
	9,340,543,061	8,305,301,018
	<hr/>	<hr/>
LIABILITIES		
	\$	\$
Demand Deposits with The Province of Ontario Savings		
Office . . . . .	187,332,809	159,303,559
Pension Funds . . . . .	686,786,611	595,723,992
Deposit, Trust and Reserve Accounts . . . . .	99,916,175	95,179,184
Unmatured Debt . . . . .	8,366,507,466	7,455,094,283
	<hr/>	<hr/>
	9,340,543,061	8,305,301,018
	<hr/>	<hr/>
Contingent Liabilities . . . . .	3,330,184,334	3,029,872,372
	<hr/>	<hr/>

**8. Cash and Temporary Investments.** The balances included under this heading, with comparable balances for the preceding year, were:

	<i>March 31, 1974</i>	<i>March 31, 1973</i>
	\$	\$
Cash—Time Deposits .....	1,122,851,529	999,333,315
Bank Overdrafts .....	357,638,491	162,877,936
	<hr/>	<hr/>
Temporary Investments (at cost) .....	765,213,038	836,455,379
	167,998,149	116,056,385
	<hr/>	<hr/>
	933,211,187	952,511,764
	<hr/>	<hr/>

TIME DEPOSITS are amounts placed on deposit with chartered banks with contracted interest rates and maturity dates. They are recorded at cost in Canadian funds at the dates of deposit.

Changes in Time Deposits during the year 1973-74 were as follows:

	\$	\$
Time Deposits at beginning of year .....		999,333,315
Deposits .....	3,505,460,377	
Maturities .....	3,381,942,163	123,518,214
	<hr/>	<hr/>
Time Deposits at end of year .....		1,122,851,529
		<hr/>

The above deposit and maturity activity does not include the renewal activity with respect to Time Deposits in United States dollars which matured and were renewed during the year. Upon renewal of a contract only the interest on the contract is recorded. The principal amount of renewal activity is not readily ascertainable from time deposit records. However, 1973-74 experience would likely approximate that of 1972-73 when, as a result of a detailed review and tabulation, it was determined that more than \$1 billion of Time Deposits in United States dollars were renewed.

Losses or gains on foreign exchange may occur when Time Deposits in United States dollars are converted to Canadian funds. During the year ended March 31, 1974 losses on foreign exchange, on conversion to Canadian funds of Time Deposits in United States dollars, amounted to \$14,435,733. These losses were charged against interest received on Time Deposits as shown in the Revenue statement of the Ministry of Treasury, Economics and Intergovernmental Affairs appearing on page 128 of Volume 1 of the Public Accounts for 1973-74. The market value in Canadian funds of the Time Deposits of \$1,122,851,529 at March 31, 1974 was \$1,104,261,938, or \$18,589,591 less than the recorded value.

BANK OVERDRAFTS as shown by the books of the Province resulted mainly from cheques dated March 31, 1974 issued during April 1974 for expenditures charged to appropriations for the year ended March 31, 1974 in accordance with the authority therefor provided by statute. The amounts actually on deposit totalled more than \$59 million at March 31, 1974. Deductions of outstanding cheques and allowances for adjustments resulted in a net overdraft of \$357,638,491.

TEMPORARY INVESTMENTS, as is the case with Time Deposits, are made to obtain income on funds which are surplus to current requirements. These investments include investment in Ontario debentures. Exclusive of activity with respect to Ontario debentures, changes in Temporary Investments during the 1973-74 fiscal year were as follows:

	\$	\$
Temporary Investments at beginning of year (at cost) ..		116,056,385
Purchases .....	1,402,636,550	
Sales and maturities .....	1,350,694,786	51,941,764
Temporary Investments at end of year (at cost) .....		167,998,149

Some approximation of the cost figures applicable to purchases and sales was necessary as the available records did not readily permit an exact determination. The market value of the Temporary Investments at March 31, 1974, as quoted in Volume 1 of the Public Accounts, was \$162 million.

Ontario debentures, held as investments at March 31, 1974, amounted to \$49,075,500. This total was deducted from the debenture liability on the Statement of Assets and Liabilities. Transactions in these debentures during the year were as follows:

	\$	\$
Ontario Debentures held as Investments at beginning of year (at par) .....		28,138,000
Purchases .....	53,106,000	
Sales, Maturities and cancellations .....	32,168,500	20,937,500
Ontario Debentures held as Investments at end of year (at par) .....		49,075,500

**9. Advances to Ontario Hydro.** These advances at March 31, 1974, with comparable advances at March 31, 1973, were:

	March 31, 1974	March 31, 1973
	\$	\$
Secured by Bonds .....	1,382,274,000	1,159,025,000
Unsecured .....	95,937,011	103,282,573
	1,478,211,011	1,262,307,573



The financial statements of Ontario Hydro are shown in Volume 2 of the Public Accounts for 1973-74.

Advances secured by bonds are interest bearing while unsecured advances are non-interest bearing.

Advances secured by bonds are made to Ontario Hydro from the proceeds of debentures issued by the Province of Ontario for that purpose under authority of The Power Corporation Act. These advances are repayable in United States dollars and are recorded in Canadian funds at par, as is the related liability (see section 21). During the year advances of \$250,000,000 were made to Ontario Hydro and repayments of \$26,751,000 were received leaving a balance of \$1,382,274,000 outstanding at March 31, 1974. As security for the advances, the Province holds bonds of Ontario Hydro for the principal amount with the same interest rate and terms as the related Province of Ontario debentures.

In prior years unsecured advances were made to Ontario Hydro representing the Province's share of the capital cost of the first two units of a nuclear powered generating station at Pickering. Repayment of \$7,345,562 was received during the year, leaving a balance of \$95,937,011 outstanding at March 31, 1974.

**10. Advances and Investments—Crown Corporations, Boards and Commissions.** The balances included under this heading, with comparable balances for the preceding year, were as follows:

	<i>March 31, 1974</i>	<i>March 31, 1973</i>
	\$	\$
The Ontario Universities Capital Aid Corporation.....	1,178,661,569	1,120,458,197
The Ontario Education Capital Aid Corporation.....	1,145,798,315	1,100,774,057
Housing Corporation Limited.....	263,245,000	204,092,000
Ontario Housing Corporation.....	377,769,930	221,183,063
The Ontario Junior Farmer Establishment Loan Corporation.....	74,040,114	79,834,538
Ontario Development Corporation.....	68,265,046	52,703,133
Ontario Northland Transportation Commission.....	58,207,935	30,207,935
The Ontario Municipal Improvement Corporation.....	27,357,302	27,763,714
Liquor Control Board of Ontario.....	25,074,515	25,074,515
Northern Ontario Development Corporation.....	10,115,936	4,958,005
Ontario Student Housing Corporation.....	8,600,400	6,944,400
Ontario Place Corporation.....	3,471,900	2,183,000
The Crop Insurance Commission of Ontario.....	70,000	600,000
	<u>3,240,677,962</u>	<u>2,876,776,557</u>

Financial Statements of these Crown Corporations, Boards and Commissions are shown in Volume 2 of the Public Accounts for 1973-74. Unless otherwise stated in the following comments, advances are interest bearing while investments are non-interest bearing.

THE ONTARIO UNIVERSITIES CAPITAL AID CORPORATION was established in 1964 and has as its object the purchasing of debentures issued for approved capital construction projects by colleges, universities, the Art Gallery of Ontario and The Royal Ontario Museum. During the year under review \$76,815,368 was advanced to the Corporation and \$18,611,996 was repaid, resulting in a net increase to outstanding advances of \$58,203,372.

THE ONTARIO EDUCATION AID CORPORATION was established in 1966 and has as its object the purchasing of debentures issued by municipalities for school board undertakings. Advances of \$86,865,000 were made to the Corporation during the year and repayments of \$41,840,742 were received, resulting in a net increase to advances outstanding of \$45,024,258.

HOUSING CORPORATION LIMITED assists in home ownership by providing first and second mortgages to purchasers of new dwellings. Advances of \$67,540,000 were made to the Corporation during the year and repayments of \$8,387,000 were received, resulting in a net increase to advances outstanding of \$59,153,000. For further comment see section 149.

ONTARIO HOUSING CORPORATION, established in 1964, co-ordinates within Ontario the development and management of residential accommodation financed out of public funds. Net advances of \$156,586,867 were made to the Corporation during the year, leaving a balance of \$377,769,930 outstanding at March 31, 1974. This balance was made up of net advances of \$227,595,930 to December 31, 1973, as shown by the balance sheet of the Corporation, and net advances of \$150,174,000 made to the Corporation between January 1, 1974 and March 31, 1974. Included in this balance outstanding at March 31, 1974 were non-interest bearing advances of \$147,229,000 of which \$146,429,000 were with respect to the North Pickering Community Development Project. For further comment see section 154.

THE ONTARIO JUNIOR FARMER ESTABLISHMENT LOAN CORPORATION provided loans to assist young qualified farmers in the establishment, and development of their farms. This program was discontinued in February 1969. Repayments of \$5,794,424 were received during the year with respect to advances made under the program, reducing the balance of advances outstanding at March 31, 1974 to \$74,040,114. For further comment see section 155.

ONTARIO DEVELOPMENT CORPORATION was established in 1966 for the purpose of encouraging and assisting in the development and diversification of industry in Ontario. The balance at March 31, 1974 consisted of an investment of \$7,000,000 and advances of \$61,265,046. The

investment of \$7,000,000 was the cost of all 7,000 shares, each with a par value of \$1,000, authorized and issued by the Corporation. The advances of \$61,265,046 represented an increase of \$15,561,913 over the previous year. Of the advances, \$38,551,979 were non-interest bearing, including advances with respect to forgivable performance loans made by the Corporation in the outstanding amount of \$33,477,979.

ONTARIO NORTHLAND TRANSPORTATION COMMISSION. Advances were made to provide funds for construction and equipment. Advances to the Commission during the year amounted to \$28,000,000, bringing the balance outstanding to \$58,207,935 at March 31, 1974. The balance was made up of advances of \$54,207,935 to December 31, 1973, as reflected by the balance sheet of the Commission, and advances of \$4,000,000 made to the Commission between January 1, 1974 and March 31, 1974. Of the total advances, \$30,207,935 were non-interest bearing. For further comment see section 156.

THE ONTARIO MUNICIPAL IMPROVEMENT CORPORATION, incorporated in 1950, has as its object the purchase of debentures issued by municipalities for municipal works and undertakings. Advances of \$4,360,000 were made to the Corporation during the year and repayments of \$4,766,411 were received, leaving a balance outstanding of \$27,357,302 at March 31, 1974.

THE LIQUOR CONTROL BOARD OF ONTARIO. The investment did not change during the year. In the financial statements of the Board, which appear in Volume 2 of the Public Accounts, the amount of the Province's investment in the Board is included in the total of the Board's retained income.

NORTHERN ONTARIO DEVELOPMENT CORPORATION was established in 1971 for the purpose of encouraging and assisting in the development and diversification of industry in Northern Ontario. The advances of \$10,115,936 represented an increase of \$5,157,931 over the previous year. Of the advances \$4,693,994 were non-interest bearing, including advances with respect to forgivable performance loans in the outstanding amount of \$2,950,994. For further comment see section 152.

ONTARIO STUDENT HOUSING CORPORATION was established in 1966 for the purpose of developing housing projects for students and their families. Net advances of \$1,656,000 were made to the Corporation during the year, leaving a balance of \$8,600,400 outstanding at March 31, 1974. This balance was made up of net advances of \$6,944,400 to December 31, 1973, as shown by the balance sheet of the Corporation, and the previously referenced net advances of \$1,656,000 which were made to the Corporation between January 1, 1974 and March 31, 1974.

ONTARIO PLACE CORPORATION was established in 1972 to operate Ontario Place as a Provincial exhibit and recreational centre, and to develop projects and programs of general advantage to the people and to the Province of Ontario. Advances of \$1,288,900 were made to the Corporation during the year, bringing the balance outstanding to \$3,471,900 at March 31, 1974. All of these advances were non-interest bearing and principal repayment is uncertain. For further comment see section 157.

THE CROP INSURANCE COMMISSION OF ONTARIO was established in 1966 to administer plans of crop insurance and related activities in Ontario. Advances of \$70,000 were made to the Commission during the year, and repayments of \$600,000 were received, leaving a balance of \$70,000 outstanding at March 31, 1974.

**11. Investments in Water Treatment and Waste Control Facilities.** These investments as at March 31, 1974, with the comparable balance at March 31, 1973, were:

	<i>March 31, 1974</i>	<i>March 31, 1973</i>
	\$	\$
Investments in Water Treatment and Waste Control Facilities.....	408,067,331	337,895,861

The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. Under the agreements with individual municipalities the costs of construction and operation of the facilities are fully recoverable with interest over a specified period of years. In 1973, \$32,161,104 of the investment in these projects was reported under "Loans to municipalities". In 1974 the entire investment in these projects is reported as "Investments in water treatment and waste control facilities". The 1973 comparative figures have been adjusted to reflect this change.

During the year additional investments of \$81,481,284 were made and recoveries of \$11,309,814 were received, leaving a balance of \$408,067,331 outstanding at March 31, 1974.

**12. Loans to Municipalities.** The balances included under this heading, with comparable figures for the preceding year, were as follows:



	March 31, 1974	March 31, 1973
	\$	\$
Sundry Municipalities re:		
The Municipal Works Assistance Act.....	74,748,299	78,993,903
The Tile Drainage Act.....	29,179,431	24,419,861
Federal-Provincial Employment Loans.....	16,771,938	1,724,908
Federal-Provincial Special Development Loans.....	4,666,200	3,410,637
Federal-Provincial Winter Capital Projects Fund...	730,000	
The Shoreline Property Assistance Act, 1973.....	390,500	
The Municipality of Metropolitan Toronto.....	50,188,000	51,497,000
Township of Elliot Lake.....	2,636,900	2,884,400
Town of Kapuskasing.....	1,408,048	1,451,976
City of Windsor.....	282,985	348,555
Improvement District of Manitouwadge.....	182,000	227,300
The Moosonee Development Area Board.....	123,000	126,000
Township of Atikokan.....		5,300
	<u>181,307,301</u>	<u>165,089,840</u>

All loans to municipalities are interest bearing.

The amount owing under THE MUNICIPAL WORKS ASSISTANCE ACT was the balance outstanding on loans made to municipalities for various municipal projects. The loans are secured by debentures and are repayable over a twenty or thirty year period ending in 1998. Repayments of \$4,245,604 were received during the year, leaving a balance of \$74,748,299 outstanding at March 31, 1974.

THE TILE DRAINAGE ACT, authorizes the Treasurer of Ontario to purchase, acquire and hold debentures issued by municipalities for construction of drainage works. These debentures are payable within ten years of their date of issue. During the year purchases and redemptions totalled \$8,199,500 and \$3,439,930 respectively, leaving a balance of \$29,179,431 outstanding at March 31, 1974.

The objective of the FEDERAL-PROVINCIAL EMPLOYMENT LOANS PROGRAM was to stimulate growth in employment, particularly during the winter, by adding to or accelerating municipal capital projects. Loans of \$15,571,563 were made to municipalities during the year, while repayments of \$524,533 were received leaving a balance of \$16,771,938 outstanding at March 31, 1974. For further comment see sections 21 and 132.

The FEDERAL-PROVINCIAL SPECIAL DEVELOPMENT LOANS PROGRAM was introduced to assist in alleviating the problem of unemployment by bringing about an increase in capital spending and related employment. Final loan payments totalling \$1,490,753 were made to municipalities in 1973-74. Repayments totalling \$235,189 were received during the year, leaving loan balances of \$4,666,200 outstanding at March 31, 1974.

The objective of the FEDERAL-PROVINCIAL WINTER CAPITAL PROJECTS FUND is to stimulate growth in employment, particularly during the winter of 1974-75. Loans totalling \$730,000 were made to municipalities for this purpose during the year. For further comment see section 21.

THE SHORELINE PROPERTY ASSISTANCE ACT came into force in 1973 for the purpose of providing assistance for the rehabilitation and protection of property on or adjacent to shorelines. Loans totalling \$390,500 were made to municipalities for this purpose during 1973-74.

The amount of \$50,188,000 owing by the MUNICIPALITY OF METROPOLITAN TORONTO was the balance outstanding on debentures issued for subway purposes. Annual payments on principal are required over the period ending in 1995. Payments of \$1,309,000 were received during the year.

The amount owing by the TOWNSHIP OF ELLIOT LAKE was the balance outstanding on debentures issued for stabilization of municipal taxes and other municipal purposes. These debentures are repayable over a period of years with final maturity in 1984. Repayments of \$247,500 were received during the year.

The TOWN OF KAPUSKASING debentures are held by the Province of Ontario as a result of agreement by the Province to assist the Town in the financing of certain capital works. These debentures are repayable over a period of years ending in 1994. The required repayment of \$43,929 was received during the year.

The debentures of the CITY OF WINDSOR, IMPROVEMENT DISTRICT OF MANITOUWADGE, THE MOOSONEE DEVELOPMENT AREA BOARD, and the TOWNSHIP OF ATIKOKAN, were issued for various municipal projects and services. The required repayments were received during the year and included the final repayment of \$5,300 with respect to the Township of Atikokan.

**13. Other Loans and Investments.** The balances included under this heading, with comparable balances for the preceding year, were as follows:

	March 31, 1974	March 31, 1973
	\$	\$
Public Hospitals.....	175,502,311	171,984,981
The Sault Ste. Marie Bridge Act.....	7,616,442	7,616,442
Ontario Transportation Development Corporation....	6,000,000	
Municipal and School Tax Credit Assistance.....	2,368,518	2,088,564
Sandwich, Windsor and Amherstburg Railway Company.....	2,300,000	2,350,000
Sundry Co-operative Associations.....	1,840,686	2,010,899
Loans under The Fisheries Loans Act.....	898,164	897,662
Provincial Student-Aid Loans.....	624,766	932,577
Sundry Conservation Authorities.....	407,540	475,868
Agricultural Loans.....	995	
Sundry Loans and Investments.....		273,682
	<u>197,559,422</u>	<u>188,630,675</u>

The amount owing by PUBLIC HOSPITALS was the balance of loans made under authority of The Public Hospitals Act. These loans are interest bearing. During the year loans of \$33,270,400 were made and repayments of \$29,753,069 were received, leaving a balance of \$175,502,311 outstanding at March 31, 1974.

The investment under THE SAULT STE. MARIE BRIDGE ACT remained unchanged throughout the year and is comprised of bonds of the International Bridge Authority of Michigan and shares of the St. Mary's River Bridge Company. The latter involves 137 shares purchased at a cost of \$1,370 while the former consists of bonds with a par value of \$7,850,000 in U.S. funds purchased at a cost of \$7,615,072 in Canadian funds. These bonds, acquired in 1960 and due September 1, 2000, bear interest at the rate of 6% per annum, but under the terms of the agreement interest is payable only as funds are available from operations. During the year payments of \$371,375 U.S. were received from the Trustee on account of interest accruing in the annual amount of \$471,000 U.S. The accumulated balance of interest unpaid at March 31, 1974 was \$4,756,646 U.S.

The investment in the ONTARIO TRANSPORTATION DEVELOPMENT CORPORATION represents the cost of 2,000,000 common shares in the Corporation, each with a par value of \$3. For further comment see section 130.

MUNICIPAL AND SCHOOL TAX CREDIT ASSISTANCE loans represent reimbursement to municipalities for credits and refunds in accordance with the provisions of The Municipal and School Tax Credit Assistance Act. These loans are non-interest bearing and are secured by liens against the property concerned. Loans totalling \$507,758 were made during the year and repayments of \$227,805 were received, leaving a balance of \$2,368,518 outstanding at March 31, 1974.

The SANDWICH, WINDSOR AND AMHERSTBURG RAILWAY COMPANY investment consists of 2% bonds in the amount of \$200,000 due June 30, 1974-77 and 3% bonds in the amount of \$2,100,000 due April 1, 1980. A special Sinking Fund to meet this latter maturity is held by the Treasurer of Ontario in Deposit and Trust Accounts. The Sinking Fund, on which interest is payable semi-annually, had accumulated to \$1,966,965 at March 31, 1974.

Loans to SUNDRY CO-OPERATIVE ASSOCIATIONS are made under The Co-operative Loans Act. The loans are secured by a first mortgage on the real property of the co-operative association and are repayable with interest over a period of twenty years. During the year loans of \$65,000 were made and repayments of \$235,213 were received, leaving a balance of \$1,840,686 outstanding at March 31, 1974.

LOANS UNDER THE FISHERIES LOANS ACT are made to persons carrying on the business of commercial fishing or any other business dependent in whole or in part on the taking of fish from waters in which such taking has been prohibited due to the pollution of the waters. These loans are secured by promissory notes payable on demand and bear interest after demand. Loans in the amount of \$503 were made during the year, leaving a balance of \$898,164 outstanding at March 31, 1974. For further comment see sections 20 and 122.

Loans to students under the PROVINCIAL STUDENT-AID LOANS program were discontinued in December 1964. The balance of \$624,766 represented the amount of principal owing on 1,517 loans at March 31, 1974. This balance included \$280,342 from 539 borrowers who were in arrears and whose accounts have been transferred to the Central Collection Services of the Ministry of Government Services for collection. During the year repayments of \$257,122 were received, and accounts totalling \$50,689 were written off as uncollectable, leaving a balance of \$624,766 outstanding at March 31, 1974.

The balance owing by SUNDRY CONSERVATION AUTHORITIES was the recoverable portion of grants made for land acquisition and construction of dams and reservoirs. These amounts are interest bearing. During the year repayments of \$68,328 were received, leaving a balance of \$407,540 outstanding at March 31, 1974.

AGRICULTURAL LOANS in the amount of \$1,972, assets of the Commissioner of Agricultural Loans, were recorded in the books of the Province effective July 1, 1973. Repayments of \$978 were received in the period ended March 31, 1974, leaving a balance of \$995 outstanding at that date. For further comment see section 147.

SUNDRY LOANS AND INVESTMENTS in the amount of \$273,682 were included among the assets of the Ontario Water Resources Commission



which were consolidated with those of the Province as at April 1, 1972. These assets were of an accounts receivable nature and, upon review, their recognition as assets in the financial statements of the Province was deemed not in keeping with the Province's "cash flow" principle of accounting. Accordingly, entries were made during the 1973-74 fiscal year to remove the Sundry Loans and Investments from the Statement of Assets and Liabilities of the Province at March 31, 1974.

**14. Fixed Assets.** Costs of fixed assets are treated as expenditures in each fiscal year. These assets are shown in the Statement of Assets and Liabilities at a nominal value of one dollar.

**15. Inactive Assets.** The balance at March 31, 1974, with the comparable figure at March 31, 1973, was:

	<i>March 31, 1974</i>	<i>March 31, 1973</i>
	\$	\$
Inactive Assets.....	4,350,546	4,395,861

In 1973 and prior years this asset category included Settlers' Loans. During the year repayments on Settlers' Loans were received in the amount of \$376 and the balance of \$44,939 written off as explained more fully in section 162.

The balance of inactive assets at March 31, 1974 was made up entirely of the Government of Canada accounts, consisting of a Debt Account of \$2,848,290 and a Common School Fund of \$1,502,256. The Debt Account is an amount on which the Government of Canada pays interest at 5% per annum to compensate the Province of Ontario for moneys withheld from the Province in the period July 1, 1867 to January 1, 1873.

The Common School Fund represents Ontario's share in a permanent fund of \$2,677,771 held in trust by the Government of Canada for the Provinces of Ontario and Quebec. This fund, the total of which has not changed since March 31, 1942, is derived from the sale of Crown lands set aside for the benefit of common schools by statutes enacted before Confederation. The Government of Canada pays interest to the Provinces on the principal sum at the rate of 5% per annum in proportion to their respective populations as determined by the most recent decennial census. The present allocation of interest is based on the census of 1971.

**16. Reserve for Inactive Assets.** A reserve for the full amount of the Government of Canada account has been provided since the present agreement does not call for liquidation of the principal amount.

**17. Net Debt.** The balance at March 31, 1974, with comparable figures at March 31, 1973, was:

	<i>March 31, 1974</i>	<i>March 31, 1973</i>
	\$	\$
Net Debt .....	2,901,508,846	2,522,043,433

The Net Debt of the Province is the excess of liabilities over revenue-producing and realizable assets. Year-to-year changes in Net Debt are related directly to the amount by which revenues exceed, or are less than, expenditures on budgetary transactions. Revenues were less than expenditures on budgetary transactions by \$379,465,413 for the 1973-74 fiscal year, with the result that Net Debt increased by that amount to \$2,901,508,846 at March 31, 1974.

**18. Demand Deposits with The Province of Ontario Savings Office.** These deposits are carried in twenty-one branches of the Savings Office throughout the Province. The liability of the Savings Office to depositors, with comparable balances for the preceding year, was made up of:

	<i>March 31, 1974</i>	<i>March 31, 1973</i>
	\$	\$
Current Balances .....	187,165,036	159,142,307
Unclaimed Balances .....	167,773	161,252
	<u>187,332,809</u>	<u>159,303,559</u>

It is the current practice of The Province of Ontario Savings Office to transfer a deposit balance from a current classification to an unclaimed classification where no communication has been received from the depositor, and no activity has taken place in the account, for a five-year period. For further comment regarding the Savings Office see section 160.

The financial statements of The Province of Ontario Savings Office are shown in Volume 2 of the Public Accounts for 1973-74.

**19. Pension Funds.** The balances included under this heading, with comparable balances for the preceding year, were as follows:

	<i>March 31, 1974</i>	<i>March 31, 1973</i>
	\$	\$
Public Service Superannuation Fund .....	685,032,086	594,082,829
Legislative Assembly Retirement Allowances Account.	1,754,525	1,641,166
	<u>686,786,611</u>	<u>595,723,995</u>

The balance in the PUBLIC SERVICE SUPERANNUATION FUND is on deposit with the Treasurer of Ontario. This balance has increased during the year by a net amount of \$90,949,256 as a result of receipts of \$128,956,714 less disbursements of \$38,007,458. For comment on the unfunded liability and other matters relative to the Fund see section 161. A statement of the Fund is shown in Volume 1 of the Public Accounts for 1973-74 on pages 44-45.

The balance in the LEGISLATIVE ASSEMBLY RETIREMENT ALLOWANCES ACCOUNT is also on deposit with the Treasurer of Ontario. This balance has increased during the year by a net amount of \$113,362 as a result of receipts of \$347,196 less disbursements of \$233,834. For further comment see section 151. A statement of the Account is shown in Volume 1 of the Public Accounts for 1973-74 on page 46.

**20. Deposit, Trust and Reserve Accounts.** These accounts, with comparable balances at the end of the preceding year, are summarized as follows:

	<i>March 31, 1974</i>	<i>March 31, 1973</i>
	\$	\$
Deposit and Trust Accounts.....	95,741,591	90,871,048
Reserves.....	3,825,794	3,855,226
Miscellaneous.....	348,790	452,910
	<hr/>	<hr/>
	99,916,175	95,179,184
	<hr/>	<hr/>

A listing of DEPOSIT AND TRUST ACCOUNTS is shown in Volume 1 of the Public Accounts for 1973-74 on pages 31-32.

Details of RESERVES are also shown in Volume 1 of the Public Accounts for 1973-74 on page 32.

The MISCELLANEOUS item consists of a balance of \$155,549 outstanding on the mortgage assumed on acquisition of the property at 880 Bay Street, Toronto and a balance of \$193,241 owing to the Government of Canada representing its contribution of loans made to fishermen by the Province in 1970-71 under The Fisheries Loans Act. This latter amount is repayable as recoveries are made from the fishermen. For further comment concerning loans under The Fisheries Loans Act, see sections 13 and 122.

**21. Unmatured Debt.** The balances included under this heading, with comparable balances for the preceding year, were as follows:

	March 31, 1974	March 31, 1973
	\$	\$
Debentures.....	8,277,036,293	7,172,662,861
Less: Held as Investments by the Province.....	49,075,500	28,138,000
	8,227,960,793	7,144,524,861
Treasury Bills.....	90,000,000	260,000,000
Central Mortgage and Housing Corporation—		
Waste Control Loans.....	25,201,073	24,102,753
Federal-Provincial Employment Loans.....	22,615,600	26,466,669
Federal-Provincial Winter Capital Projects Fund.....	730,000	
	8,366,507,466	7,455,094,283

Changes in the DEBENTURE and TREASURY BILL liability during the year 1973-74 were as follows:

	Debentures	Treasury Bills
	\$	\$
Balance at beginning of year.....	7,172,662,861	260,000,000
Issued during year.....	1,193,959,191	730,000,000
	8,366,622,052	990,000,000
Redeemed during year.....	89,585,759	900,000,000
	8,277,036,293	90,000,000
Less: Held as Investments.....	49,075,500	
Balance in hands of the Public at end of year.....	8,227,960,793	90,000,000

The Debenture liability in the hands of the public was payable in the following currencies:

	\$
Canadian Dollars.....	6,701,383,071
United States Dollars.....	1,434,270,000
West German Deutsche Marks.....	92,307,722
	8,227,960,793

The debenture indebtedness payable in United States dollars is recorded in Canadian funds at par. Of the debentures payable in United States dollars, \$1,382,274,000 was with respect to debentures issued by the Province for the purpose of advancing funds to Ontario Hydro. For related asset see section 9.

The balance of the debenture indebtedness payable in United States dollars was \$51,996,000. At March 31, 1974, the Canadian dollar equivalent of this liability was \$50,560,910.

The debenture indebtedness payable in West German deutsche marks is recorded in Canadian funds at the rate of exchange in effect at the



time of debenture issue. At March 31, 1974, Treasury officials calculated the Canadian dollar equivalent of the liability payable in deutsche marks at \$125,555,400, or \$33,247,678 more than the recorded liability of \$92,307,722.

The liability to CENTRAL MORTGAGE AND HOUSING CORPORATION was the balance owing on advances received for Provincial water and sewage programs completed or under construction. Advances of \$1,098,320 were received during the year, bringing the balance of the liability outstanding to \$25,201,073.

The FEDERAL-PROVINCIAL EMPLOYMENT LOANS liability was with respect to amounts borrowed from the Government of Canada under a program to stimulate growth in employment by adding to or accelerating municipal capital projects. Forgiveness and repayments of \$3,851,069 were made during the year leaving a balance of \$22,615,600 outstanding at March 31, 1974. For further reference see sections 12 and 132.

The FEDERAL-PROVINCIAL WINTER CAPITAL PROJECTS FUND was the amount borrowed from the Government of Canada under a program to stimulate growth in employment. For further reference see section 12.

**22. Contingent Liabilities.** Contingent liabilities, with comparable amounts for the preceding year, were as follows:

	<i>March 31, 1974</i>	<i>March 31, 1973</i>
	\$	\$
Bonds, etc., guaranteed by the Province of Ontario...	3,381,688,834	3,069,536,372
Less: Held as Investments.....	51,504,500	39,664,000
	<u>3,330,184,334</u>	<u>3,029,872,372</u>

Details of contingent liabilities are shown in Volume 1 of the Public Accounts for 1973-74 on pages 40-43.

## CONSOLIDATED REVENUE FUND

**23. Introductory Comments.** The Statement of Consolidated Revenue Fund and the Revenue and Expenditure statement for the fiscal year ended March 31, 1974, as shown in Volume 1 of the Public Accounts, are reproduced as Exhibits 2 and 3 to this Report.

The Budgetary Transactions, as shown in the Statement of Consolidated Revenue Fund, reflect revenue of \$6,922,396,286 and expenditure of \$7,301,861,699, resulting in a Budgetary Deficit of \$379,465,413 for the year. Revenue and Expenditure are shown by Ministry in the Revenue and Expenditure statement. The Budgetary Deficit for 1973-74 is \$13,722,359 higher than the corresponding figure for the preceding year.

The Non-Budgetary Transactions, as shown in the Statement of Consolidated Revenue Fund, reflect Receipts and Credits of \$380,351,021 and Disbursements and Charges of \$931,599,368, resulting in a Non-Budgetary Deficit of \$551,248,347 for the year. The Non-Budgetary Deficit for 1973-74 is \$23,194,134 higher than the corresponding figure for the preceding year.

The Budgetary Deficit and Non-Budgetary Deficit generated an aggregate net cash requirement for the year of \$930,713,760.

The Debt Transactions, as shown in the Statement of Consolidated Revenue Fund, reflect Proceeds of Loans of \$1,195,787,511 and Repayments of Loans of \$263,436,828. This resulted in a net increase of \$932,350,683 in the debt obligations of the Province for the year. The corresponding increase for the 1972-73 year was \$1,182,034,455.

**24. Payments into the Consolidated Revenue Fund.** These payments are classified as Revenue, Receipts and Credits, and Proceeds of Loans. Revenue consists, in general, of moneys collected under the provisions of many individual statutes, and includes such sources as taxation, premiums, etc. Receipts are repayments received relative to the investment activities (loans, advances, etc.) of the Province, while Credits are moneys received for allocation to the pension fund, deposit trust and reserve account liabilities of the Province. Proceeds of Loan represent the moneys received from Provincial debenture issues and other borrowings.

A summary of payments into the Consolidated Revenue Fund by classification, with comparable amounts for the preceding year, is as follows:

<i>Payments re</i>	1973-74	1972-73
	\$	\$
Revenue.....	6,922,396,286	6,114,599,006
Receipts and Credits.....	380,351,021	314,197,394
Proceeds of Loans.....	1,195,787,511	1,295,838,410
	<u>8,498,534,818</u>	<u>7,724,634,810</u>

**25. Summary of Revenue by Source.** The following compares, by source, the Revenue for the 1973-74 fiscal year with that for the 1972-73 fiscal year. The Revenue for 1972-73 has been restated, where necessary, to conform with the 1973-74 presentation.

	1973-74	1972-73	Increase (Decrease)
	\$	\$	\$
Taxation.....	4,067,028,279	3,413,707,489	653,320,790
Government of Canada: Reimbursements of Expenditures and Other.....	1,266,682,183	1,246,152,743	20,529,440
Premiums.....	530,053,695	519,923,395	10,130,300
Interest on Loans, Advances and Investments.....	369,974,321	293,540,068	76,434,253
Profits from Trading Activities.....	280,500,000	254,000,000	26,500,000
Fees, Licences and Permits.....	261,803,170	250,640,683	11,162,487
Fines and Penalties.....	37,371,252	33,499,100	3,872,152
Royalties.....	28,539,186	26,437,583	2,101,603
Utility Service Charges.....	20,265,645	17,673,689	2,591,956
Facilities.....	15,775,457	15,603,762	171,695
Recovery of Prior Years' Expenditures..	13,419,984	9,607,398	3,812,586
Other Reimbursements of Expenditures.	10,298,674	10,082,027	216,647
Sales—Other.....	10,016,376	8,124,167	1,892,209
Sales—Land and Buildings.....	6,122,284	3,930,669	2,191,615
Public Domain.....	2,053,514	1,821,157	232,357
Miscellaneous.....	2,492,266	9,855,076	(7,362,810)
	<u>6,922,396,286</u>	<u>6,114,599,006</u>	<u>807,797,280</u>

**26. Taxation.** Tax revenue of \$4,067,028,279 accounted for 58.8 per cent of the total revenue for the year. A further breakdown by principal tax source, with comparable amounts for the preceding year, is as follows:

	1973-74	1972-73
	\$	\$
Retail Sales Tax.....	1,314,814,391	895,258,265
Personal Income Tax.....	1,235,816,113	1,204,946,907
Corporations Tax.....	636,611,400	526,758,184
Gasoline Tax.....	476,786,369	426,651,581
Other.....	403,000,006	360,092,552
	<u>4,067,028,279</u>	<u>3,413,707,489</u>

Amendments to The Retail Sales Tax Act which were effective May 1, 1973 basically changed the applicable rate from 5 per cent to 7 per cent and contributed to the substantial increase of \$419,556,126 realized from Retail Sales Tax. This increase accounted for 51.9 per cent of the total increase in revenue of the Province for the year.

**27. Government of Canada—Reimbursements of Expenditures and Other.** The major portion of this source of revenue consisted of recoveries of both current and prior years' expenditures made by the Province under cost-sharing projects with the Government of Canada. The main items of recovery for the year from the Government of Canada were under the Hospital Insurance and Diagnostic Services Act, \$533,249,217, the Medical Care Act, \$243,340,637, and the Canada Assistance Plan, \$207,272,491.

**28. Premiums.** This revenue consisted of premiums received under the Ontario Health Insurance Plan.

**29. Interest on Loans, Advances and Investments.** Interest on Time Deposits and Ontario Hydro advances amounted to \$55,448,192 and \$78,839,164 respectively, and collectively contributed \$35,959,568 to the increase of \$76,434,253 in revenue over the preceding year.

**30. Profits from Trading Activities.** This revenue represented the amount transferred to the Consolidated Revenue Fund during the year from the profits of the Liquor Control Board of Ontario.

**31. Fees, Licences and Permits.** Vehicle, driver and other fees, licences and permits of the Ministry of Transportation and Communications amounted to \$195,216,252 and were the main items of revenue included in this category.

**32. Fines and Penalties.** This revenue source consisted mainly of fines and penalties levied by the Criminal Division of Provincial Courts. These totalled \$36,231,212 for the year.

**33. Royalties.** Revenue under this heading included timber stumpage charges, \$14,579,235, charges for water power used in generated energy, \$10,930,913, and timber management and forest protection charges, \$2,015,895.



**34. Utility Service Charges.** This category represented payments received by the Ministry of the Environment from municipalities and others with respect to the operation of water treatment and waste control facilities.

**35. Facilities.** This category included revenue from patients' maintenance, service centre rentals, property rentals, parking, etc. Major revenue items for the year were patients' maintenance, \$7,496,740 and service centre rentals, \$2,489,180.

**36. Recovery of Prior Years' Expenditures.** This category consisted of all recoveries of prior years' expenditures with the exception of recoveries related to prior years' expenditures made by the Province on behalf of other governments. The main item of recovery during the year was \$3,778,671 with respect to the wind-up of the operation of the Ontario Hospital Services Commission. This matter was commented upon in section 119 of our 1972-73 Report.

**37. Other Reimbursements of Expenditures.** This revenue source included statutory recoveries and recoveries of both current and prior years' expenditures made by the Province on behalf of other governments excluding the Government of Canada.

**38. Sales—Other.** Sales of manufactured goods, produce and livestock by correctional institutions in the amount of \$4,558,974 were the principal items included in this category.

**39. Sales—Land and Buildings.** Revenue from the sale of surplus land and buildings is shown under this heading.

**40. Public Domain.** This revenue is derived from the leasing and licensing of Crown lands, gas and mining leases, etc.

**41. Miscellaneous.** In 1972-73 surplus funds of the Public Trustee in the amount of \$8,500,000 were transferred to the Consolidated Revenue Fund. In 1973-74 no such transfer was made.

**42. Receipts and Credits.** Receipts and Credits totalling \$380,351,021 for the fiscal year 1973-74, are shown on pages 17-19 of Volume 1 of the Public Accounts. Comments with respect to many of the receipt and credit items are contained in the Assets and Liabilities sections (6-22) of this Report.

**43. Proceeds of Loans.** Proceeds of Loans totalling \$1,195,787,511 for the fiscal year 1973-74 are shown on pages 24-25 of Volume 1 of the Public Accounts. These moneys resulted mainly from the issue of straight term and serial Ontario debentures maturing in the years 1993 to 2014.

**44. Payments out of the Consolidated Revenue Fund.** These payments are of two major types, those pursuant to estimates approved by the Legislative Assembly and those pursuant to provisions of various statutes. The former constitute payments from Voted Appropriations while the latter represent payments from Statutory Appropriations. Voted Appropriations consist of the original appropriations by the Legislative Assembly and the subsequent additions to such appropriations by Management Board Orders. The nature of Management Board Orders is more fully explained in section 77.

A third type of payment out of the Consolidated Revenue Fund is that pursuant to delegated authority in the form of Special Warrants. The nature of this authority is more fully explained in section 78.

Voted Appropriations are classified as either Expenditure or Disbursements and Charges. Expenditure relates to operational activities including the purchase of fixed assets. Disbursements are payments made in respect of investments, loans and advances, while Charges are payments made from pension funds, deposit, trust and reserve accounts. Statutory Appropriations are also classified as Expenditure and as Disbursements and Charges. An additional classification is Repayments of Loans. These payments are in respect of the debt obligations of the Province.

Special Warrants, like Voted Appropriations, are classified as either Expenditure or Disbursements and Charges.

A summary of the payments out of the Consolidated Revenue Fund by type and classification, with comparable amounts for the preceding year, is as follows:

<i>Payments re</i>	1973-74	1972-73
	\$	\$
Voted Appropriations:		
Per Legislative Assembly		
Expenditure .....	6,516,107,799	5,839,560,688
Disbursements and Charges .....	373,822,034	279,050,123
	6,889,929,833	6,118,610,811
Per Management Board Orders		
Expenditure .....	92,614,957	88,754,427
Disbursements and Charges .....	188,900	7,877,324
	92,803,857	96,631,751
Total Voted Appropriations .....	6,982,733,690	6,215,242,562
Statutory Appropriations:		
Expenditure .....	693,138,943	550,837,375
Disbursements and Charges .....	557,588,434	555,324,160
Repayments of Loans .....	263,436,828	113,803,955
Total Statutory Appropriations .....	1,514,164,205	1,219,965,490
Special Warrants:		
Expenditure .....		1,189,570
Disbursements and Charges .....		
Total Special Warrants .....		1,189,570
Total Payments .....	8,496,897,895	7,436,397,622

**45. Expenditure.** Expenditure may be summarized, with comparable figures for the preceding year, as follows:

<i>Expenditure re</i>	1973-74	1972-73
	\$	\$
Voted Appropriations:		
Per Legislative Assembly .....	6,516,107,799	5,839,560,688
Per Management Board Orders .....	92,614,957	88,754,427
	6,608,722,756	5,928,315,115
Statutory Appropriations .....	693,138,943	550,837,375
Special Warrants .....		1,189,570
Total Expenditure .....	7,301,861,699	6,480,342,060

**46. Comparison of Authorized and Actual Payments—Voted Appropriations.** This comparison for the fiscal year ended March 31, 1974 is as follows:

<i>Voted Appropriations</i>	<i>Authorized</i>	<i>Actual</i>	<i>Actual Under Authorized</i>
	\$	\$	\$
Per Legislative Assembly:			
Expenditure.....	6,677,396,000	6,516,107,799	161,288,201
Disbursements and Charges.....	451,043,500	373,822,034	77,221,466
	7,128,439,500	6,889,929,833	238,509,667
Per Management Board Orders:			
Expenditure.....	113,100,000	92,614,957	20,485,043
Disbursements and Charges.....	360,000	188,900	171,100
	113,460,000	92,803,857	20,656,143
Total Voted Appropriations.....	7,241,899,500	6,982,733,690	259,165,810

Although in aggregate the actual payments made out of appropriations by the Legislative Assembly were less than total so appropriated, certain votes and items were exhausted or of an insufficient amount. In such cases funds in excess of those authorized by the Legislative Assembly were required and were made available under the authority of Management Board Orders.

It will be noted that the amount of \$7,128,439,500 appropriated by the Legislative Assembly in itself exceeded the total actual payments of \$6,982,733,690. This excess was in the amount of \$145,705,810.

**47. Summary of Expenditure by Ministry.** The following summary compares, by Ministry, the Expenditure for the 1973-74 fiscal year with that for the 1972-73 fiscal year. The Expenditure for 1972-73 has been restated, where necessary, to reflect the 1973-74 transfer of functions between Ministries.

<i>Ministry</i>	<i>1973-74</i>	<i>1972-73</i>	<i>Increase (Decrease)</i>
	\$	\$	\$
Office of the Lieutenant Governor.....	50,708	44,357	6,351
Office of the Speaker.....	6,452,427	5,701,847	750,580
Office of the Premier.....	1,119,296	1,019,146	100,150
Cabinet Office.....	871,983	648,041	223,942
Management Board.....	1,831,944	2,010,280	(178,336)
Civil Service Commission.....	4,240,170	3,471,669	768,501
Office of Provincial Auditor.....	1,254,036	1,178,283	75,753
Government Services.....	179,498,368	161,040,109	18,458,259
Revenue.....	53,311,543	52,920,769	390,774
Treasury, Economics and Intergovernmental Affairs.....	868,300,943	640,879,841	227,421,102



Housing.....	33,293,349	20,430,522	12,862,827
Justice Policy.....	308,167	243,573	64,594
Attorney General.....	68,118,668	60,121,489	7,997,179
Consumer and Commercial Relations....	28,446,467	24,979,671	3,466,796
Correctional Services.....	86,326,051	72,935,354	13,390,697
Solicitor General.....	90,412,443	82,597,936	7,814,507
Resources Development Policy.....	349,689	264,706	84,983
Agriculture and Food.....	104,669,087	96,529,149	8,139,938
Environment.....	45,085,273	37,193,698	7,891,575
Industry and Tourism.....	26,251,653	22,521,304	3,730,349
Labour.....	11,923,055	9,992,478	1,930,577
Natural Resources.....	158,627,095	138,565,207	20,061,888
Transportation and Communications....	684,357,637	597,581,625	86,776,012
Energy.....	1,618,957	232,180	1,386,777
Social Development Policy.....	493,794	355,626	138,168
Colleges and Universities.....	808,801,656	736,379,058	72,422,598
Community and Social Services.....	464,499,001	420,257,333	44,241,668
Education.....	1,410,345,445	1,316,214,394	94,131,051
Health.....	2,161,002,794	1,974,032,415	186,970,379
	<u>7,301,861,699</u>	<u>6,480,342,060</u>	<u>821,519,639</u>

**48. Office of the Lieutenant Governor.....Office of Provincial Auditor.** Salaries and Wages and Employee Benefits constituted the main expenditure for the Office of the Lieutenant Governor, Office of the Speaker, Office of the Premier, Cabinet Office, Management Board, Civil Service Commission and Office of Provincial Auditor. Such expenditure accounted for much of the aggregate net increase in expenditure of these Ministries over that of the previous year.

**49. Government Services.** The Provision of Accommodation Program was the major expenditure of the Ministry. This program provided accommodation for ministries and agencies of the Ontario Government. Expenditure on the program totalled \$142,870,930 for 1973-74, an increase of \$14,171,840 over the previous year.

**50. Revenue.** The Municipal Assessment Program accounted for \$34,589,010 of the Ministry's expenditure for 1973-74, a decrease of \$1,144,581 from the previous year. This program included the valuation of real property at market value and the preparation of municipal assessment rolls and notices.

Other programs administered by the Ministry reflected increased expenditure in 1973-74 and resulted in a total increase for the year in the Ministry's expenditure of \$390,774.

**51. Treasury, Economics and Intergovernmental Affairs.** Public Debt interest payments on securities issued and other borrowings constituted the principal category of expenditure and amounted to

\$603,386,201 in 1973-74, an increase of \$126,466,944 over the previous year. The implementation of The Property Tax Stabilization Act, 1973 contributed a further increase of \$114,951,286 in 1973-74 expenditure over 1972-73. This Act provided for the payment of general support and resource equalization grants to municipalities.

**52. Housing.** The Ministry of Housing was established effective October 30, 1973, under The Ministry of Housing Act, 1973. The Ontario Housing Program was transferred to the new Ministry from the Ministry of Revenue. The Ontario Housing Program expenditure and appropriation is shown under the Ministry of Housing in the 1973-74 Public Accounts.

The Ontario Housing Program expenditure totalled \$31,086,012 and accounted for most of the increase in expenditure for the year of \$12,862,827.

**53. Justice Policy.** Salaries and Wages and Employee Benefits represented the main expenditure and accounted for most of the increase in expenditure over that of the previous year.

**54. Attorney General.** Courts Administration cost of \$37,439,335 was the main item of expenditure during 1973-74 and accounted for \$4,640,735 of the increase for the year.

**55. Consumer and Commercial Relations.** The Commercial Standards Program and the Property Rights Program were the main areas of expenditure, totalling \$7,792,157 and \$9,649,692 respectively for 1973-74. These programs accounted for most of the expenditure increase of \$3,466,796 for the year.

The Commercial Standards Program consisted of activities that provide for the regulation of financial and commercial affairs. The Property Rights Program involved the registration of interests in real property and other related activities.

**56. Correctional Services.** The programs for the Rehabilitation of Adult Offenders and for the Rehabilitation of Juveniles, totalling \$55,877,517 and \$26,089,976 respectively, accounted for \$12,550,135 of the expenditure increase for the year.

**57. Solicitor General.** The net increase of \$7,814,507 in the Ministry's expenditure for the year included an increase of \$6,426,327 under the Criminal and General Law Enforcement Program and a decrease of

\$1,444,624 under the Traffic Law Enforcement Program. Expenditure under these programs for the year totalled \$39,774,319 and \$36,189,923 respectively.

**58. Resources Development Policy.** Salaries and Wages and Employee Benefits constituted the main expenditure and accounted for most of the increase in expenditure over that of the previous year.

**59. Agriculture and Food.** The main areas of expenditure for the year were the transfer payments under the Farm Tax Reduction Program and with respect to Grants for Capital Purposes in Farm Development. These transfer payments amounted to \$25,879,096 and \$18,170,755 respectively. Transfer payments in total increased by \$7,225,834 for the year and accounted for most of the increase in the Ministry's 1973-74 expenditure.

**60. Environment.** The programs for Water Management and Air and Land Pollution Control accounted for most of the increase of \$7,891,575 in expenditure for the year. Expenditure under these programs for the year totalled \$26,887,851 and \$6,890,674 respectively.

**61. Industry and Tourism.** The principal expenditure was under the Industrial, Trade and Tourism Development Program. Expenditure on the program amounted to \$15,235,578 in 1973-74 and accounted for \$2,056,327 of the increase in expenditure for the year.

**62. Labour.** Expenditure on the Occupational Safety Program totalled \$3,231,151 and accounted for \$996,571 of the increase in expenditure for the year.

**63. Natural Resources.** The main areas of expenditure for the year were the Land Management Program and the Outdoor Recreation Program. Expenditure under these programs in 1973-74 totalled \$67,202,827 and \$37,335,044 respectively, and accounted for \$9,673,875 of the increase for the year.

**64. Transportation and Communications.** The Construction Program and the Maintenance Program were the principal areas of expenditure in 1973-74 and amounted to \$420,933,193 and \$200,885,878 respectively. These programs included construction and maintenance of the King's Highway System and assistance to municipalities towards the construction and maintenance costs of municipal roads and transit systems.

The Construction and Maintenance Programs in aggregate accounted for \$69,148,216 of the increase in expenditure for the year.

**65. Energy.** The Ministry of Energy was established effective July 3, 1973 under The Ministry of Energy Act, 1973. The Ministry had statutory authority for the expenditure under two of its programs, namely Ministry Administration and Energy Policy. The remaining program, Ontario Energy Board, was transferred from the Ministry of Natural Resources.

The 1972-73 expenditure reflects only the expenditure relative to the Ontario Energy Board.

**66. Social Development Policy.** Salaries and Wages and Employee Benefits represented the main expenditure and accounted for most of the increase in expenditure over that of the previous year.

**67. Colleges and Universities.** The main areas of expenditure were the University Support Program and the Colleges and Adult Education Support Program. Expenditure under these programs in 1973-74 amounted to \$503,100,605, and \$226,468,305 respectively. In total, these programs accounted for \$54,000,423 of the expenditure increase for the year.

**68. Community and Social Services.** The increase of \$44,241,668 in expenditure for the year included increases under the Assistance and Rehabilitation Program of \$26,902,596 in Income Maintenance and \$5,887,913 in Residential Care and Services for Adults. Expenditure for the year for these activities totalled \$299,288,844 and \$64,822,139 respectively.

**69. Education.** School Business and Finance was the main area of expenditure and accounted for \$1,251,905,343 of the total expenditure of \$1,410,345,445 by the Ministry for the year.

The increase of \$94,131,051 in the Ministry's expenditure included an increase of \$77,921,854 in General Legislative Grants, an increase of \$20,923,600 in payment on the unfunded liability of the Teachers' Superannuation Fund, and a decrease of \$11,444,338 in construction and equipment of additional vocational units for school boards, etc.

The Ministry's expenditure of \$1,410,345,445 was 19.3 per cent of the total expenditure of the Province for the year.

Expenditures on education by both the Ministry of Education and the Ministry of Colleges and Universities amounted to \$2,219,147,101 or 30.4 per cent of the total expenditure of the Province for the year. The comparable figures for the preceding year, as restated, were \$2,052,593,452 and 31.7 per cent.



**70. Health.** The Treatment and Rehabilitation Program accounted for \$2,074,606,108 of the total expenditure of \$2,161,002,794. Expenditure under this program included \$1,064,823,049 for the operation of hospitals and related facilities and \$560,478,619 for care provided by physicians and practitioners. These amounts increased by \$50,826,171 and \$20,431,243 respectively in 1973-74, accounting for a significant portion of the increase in the Ministry's expenditure for the year.

The Ministry's expenditure of \$2,161,002,794 was 29.6 per cent of the total expenditure of the Province for the year. Comparable figures for the preceding year, as restated, were \$1,974,032,415 and 30.5 per cent.

**71. Disbursements and Charges.** Disbursements and Charges for the fiscal year 1973-74 may be summarized, with comparable figures for the preceding year, as follows:

<i>Disbursements and Charges re</i>	<i>1973-74</i>	<i>1972-73</i>
	\$	\$
Voted Appropriations:		
Per Legislative Assembly.....	373,822,034	279,050,123
Per Management Board Orders.....	188,900	7,877,324
	<hr/>	<hr/>
	374,010,934	286,927,447
Statutory Appropriations.....	557,588,434	555,324,160
	<hr/>	<hr/>
	931,599,368	842,251,607
	<hr/>	<hr/>

Details of Disbursements and Charges are shown on pages 20-23 of Volume 1 of the Public Accounts. Comments with respect to many of the disbursement and charge items are contained in the Assets and Liabilities sections (6-22) of this Report.

**72. Repayments of Loans.** Repayments of Loans totalling \$263,436,828 for the fiscal year 1973-74 are shown on page 25 of Volume 1 of the Public Accounts. These repayments relate mainly to the redemption of Ontario debentures and Treasury bills.

## COMMENTS ON REVENUE AND EXPENDITURE TRANSACTIONS

**73. Audit of Revenue.** The audit of revenue at the various Ministries and Institutions continued on a post-audit basis during the year and included a general review of accounting procedures and such tests of accounting records and other supporting evidence as were considered necessary in the circumstances.

As indicated in our 1972-73 Report (section 63), our audit activity is mainly devoted to the verification of revenue and to the detection of fraud or manipulation of funds, both at head office and institutional level. However, continued emphasis has been placed on insuring that there is full compliance with existing Statutes and Regulations, and on the review of procedures established within each Ministry for its verification and reconciliation of revenue.

During the year we continued our increased emphasis on the major revenue producing areas of the Government. Taxation revenue, for example, amounted to \$4,067,028,279 or 58.8 per cent of the total revenue for the year (see section 26). Accordingly, an audit team is located at the Ministry of Revenue to perform a continuous audit of taxation revenue. Similarly, our Office maintains a separate group of auditors whose principal function is the review of claims on the Government of Canada which arise from contributory or cost sharing agreements and programs.

**74. Audit of Expenditure.** As explained in section 1, the audit of expenditure continued on a pre-audit basis for certain Ministries for varying periods throughout the year. However, the major portion of out audit activity was on a post-audit basis.

The post-audit of expenditure was conducted under the following main classifications—Transfer Payments; Acquisition/Construction of Physical Assets; and Administrative Expenditure. Under these classifications the estimated expenditures for the year, as shown in Table G3 of Volume 1 of the Expenditure Estimates 1973-74, may be summarized as follows:

	\$	%
Transfer Payments.....	5,134,231,100	70.6
Acquisition/Construction of Physical Assets.....	266,993,800	3.7
Administrative Expenditure		
Salaries and Wages.....	806,855,500	11.1
Other Transactions.....	588,623,500	8.1
Services.....	211,720,200	2.9
Supplies and Equipment.....	162,798,400	2.3
Employee Benefits.....	89,384,400	1.2
Transportation and Communications.....	58,972,100	.8
Recoveries from other Activities, Ministries, etc.....	(50,297,000)	(.7)
	7,269,282,000	100.00

The above figures are exclusive of Supplementary Estimates.

A number of Members of the Standing Committee on Public Accounts have continued to indicate their interest in a management or operational type of audit by this Office. As the material contained in the following sections of this Report will indicate, we have not restricted our activities to a financial audit. It is important to note, however, that more than 70.6 per cent of the budgeted expenditure, in the form of Transfer Payments, reflects expenditures made to individuals, organizations and other levels of government on the basis of legislation or established Ministerial rules. An assessment of compliance with the applicable legislation continues to be the most significant aspect of our expenditure audit. This type of compliance audit does not lend itself to an assessment of value received since the ultimate decision as to the disbursement of the funds rests with the recipients of the Transfer Payments.

The audit of Acquisition/Construction of Physical Assets included the examination of contract records, the procedures for awarding contracts, and purchasing procedures in this specialized field. Asset records of items both under construction and completed were examined. The audit of Administrative Expenditure included an evaluation of the internal control over the whole expenditure process, including inventory controls and purchasing procedures.

**75. Audit Memoranda.** Memoranda on the various audits and examinations performed during the year were submitted to the Deputy Minister of each Ministry concerned. Observations and comments were made on matters noted during the conduct of the audits, including recommendations and suggestions for improvement in internal controls and general efficiency of the accounting process. The Deputy Ministers were asked to review the memoranda and to forward their comments on our findings and recommendations. This procedure provides each Ministry with an opportunity to question the position taken by this Office or to initiate corrective action.

Revenue and Expenditure audits performed during the year are listed in Exhibit 5. Matters which were raised in memoranda covering these audits, and which, in our considered opinion, should be brought to the attention of the Legislative Assembly, are included in the subsequent sections of this Report. Pertinent replies received from the Ministries to the time of preparation of this Report, have been included for information purposes without further comment by this Office, but will be reviewed during subsequent audits of the respective Ministries.

**76. Suggested Corrective Action and Other Recommendations Contained in Previous Provincial Auditor's Reports.** It is our practice to follow-up on suggested corrective action and recommendations at the time of our next audit of the applicable revenue or expenditure area. Generally speaking, for those areas audited during 1973-74, we were satisfied that appropriate measures had been taken with respect to prior observations unless we have commented otherwise in subsequent sections of this Report.

**77. Management Board Orders.** Section 5 of The Management Board of Cabinet Act, 1971 provides that, where an appropriation is exhausted or a sufficient amount was not provided and the public interest or the urgent requirements of the public service necessitate further payments, the Board may make an order authorizing payments to be made against such amount as it considers proper.

A Statement of Management Board Orders is included as Exhibit 4 to this Report.

**78. Special Warrants.** Section 4 of The Management Board of Cabinet Act, 1971 provides for the issue of a Special Warrant, when the Legislature is not in session, authorizing payment of an amount required to meet an expenditure not foreseen or provided for by the Legislature and which is urgently required for the public good.

During 1973-74 five Special Warrants were issued; however, all were subsequently revoked. The Deputy Attorney General has expressed the opinion that "where a Special Warrant has been issued and then subsequently is revoked or lapses without any expenditure being made thereunder, it is not required to be included in the annual report of the auditor under section 20 of The Audit Act." Accordingly, a statement of Special Warrants issued during 1973-74 has not been included in this Report.

**79. Presentation of Salaries and Wages in the Public Accounts.** Payments to employees who earned \$20,000 or more are reported by each Ministry in Volume 3 of the Public Accounts under the heading "Salaries and Wages". In 1972-73 and prior years the amounts shown included payments for unused attendance credits and severance pay made in accordance with Regulations under The Public Service Act.

In its review of the 1972-73 Public Accounts the Standing Committee on Public Accounts felt that this method of presentation was misleading since an inordinately high figure could be reflected for salaries and wages when, in fact, a substantial portion of the figure represented employee benefits. The Committee recommended that separation and other allow-



ances on retirement or separation be included under the employee benefits category rather than under salaries and wages. This recommendation has been adopted effective with the 1973-74 Public Accounts.

#### **80. Presentation of Travelling Expenses in the Public Accounts.**

Travelling expenses totalling \$2,500 or more paid to an individual, agency or carrier, during the 1973-74 fiscal year are reported by payee within each Ministry in Volume 3 of the Public Accounts. For the most part, the amounts shown represent payments to employees for out-of-pocket expenses and mileage claims. Expenditures with respect to other related costs incurred but billed directly to the Ministry by the carrier or agency, are reported under the name of the carrier or agency to whom the money was actually paid. While this method of presentation indicates the extent to which payments are made directly to carriers and agencies, it does not disclose the full cost of travel by employee.

Travelling expenses were presented in the 1972-73 Public Accounts on the same basis. In its review of the 1972-73 Public Accounts, the Standing Committee on Public Accounts concluded that disclosure of the full cost of travel by employee was preferable. The Committee, therefore, requested that payments to carriers and agencies be allocated to the employees concerned for reporting purposes. We have been advised that the new reporting format will not be adopted until the 1974-75 fiscal year because of the accounting modifications required.

#### **81. Discrepancies Noted in Volume 3 of the 1972-73 Public Accounts.**

As stated in section 3 of this Report, the details of expenditure appearing in Volume 3 of the Public Accounts are not reviewed by this Office prior to publication. However, they are subject to examination during our subsequent post-audit of the Ministry concerned.

In this connection our examination of the records of the CIVIL SERVICE COMMISSION supporting the "Materials, Supplies, etc." information contained in Volume 3 of the 1972-73 Public Accounts resulted in the following observations:

- (a) payments to one firm were understated by \$14,476;
- (b) payments to other Ministries had not been analyzed to determine if any exceeded \$10,000 in total;
- (c) the amount for accounts under \$10,000 apparently was net of any transfers and refunds from Ministries and Agencies.

A review of the records of the MINISTRY OF HEALTH supporting the "Other" expenditure information contained in Volume 3 of the 1972-73 Public Accounts revealed that payments totalling \$4,800,213 made to

Princess Margaret Hospital were incorrectly categorized as payments to Ontario Cancer Treatment & Research Foundation. In addition, an expenditure refund of \$649 relative to Princess Margaret Hospital was not taken into account. Respective payments to Princess Margaret Hospital and to Ontario Cancer Treatment & Research Foundation were reported as \$2,265,423 (page 176) and \$7,922,082 (page 178), whereas the correct figures were \$7,064,987 and \$3,121,869 respectively.

**82. Accounts Receivable—Guaranteed Bank Loan Programs, Ministry of Agriculture and Food.** In our 1972-73 Report (section 89) we noted that the Lieutenant Governor in Council had guaranteed a large number of bank loans that were made under various assistance programs in effect from time to time. In those cases where the Ministry has been called upon to repay a loan in default under the terms of the guarantee, the amounts so paid to the banks remain as separate recoverable charges against those who were unable to discharge their obligations to the banks. The amounts that are paid under guarantee are recorded on individual accounts receivable cards in the names of the persons on whose behalf the loans were paid. As at March 31, 1974 the total amount recoverable from these debtors was \$5,678,405.

The majority of these accounts have been outstanding for a considerable period of time, and from a review of the records and transactions it would appear that the Ministry may incur a substantial financial loss unless positive steps are taken to ensure a prompt recovery of all funds paid out under the terms of the guarantees. Records maintained by the Accounts Branch indicate that in the period from February 1, 1973 to March 31, 1974, the Ministry had been called upon to pay \$1,026,111 to various banks under the terms of its guarantees. During the same period \$1,141,170 was recovered and \$570,640, representing 128 balances, was written off as uncollectable. In addition, 434 other accounts amounting to \$1,255,508 had been submitted to Central Collection Services in the Ministry of Government Services for further attempts to obtain payment because the actions taken by the Ministry of Agriculture and Food to effect settlement of the debts had not been successful.

An audit revealed that, while the indebtedness of six persons amounting to \$24,497 had been written off as uncollectable, potential surplus funds from the sale of properties were held by The Ontario Junior Farmer Establishment Loan Corporation on behalf of the same debtors or other claimants. We again recommended that surplus funds arising from the sale of forfeited properties by The Ontario Junior Farmer Establishment Loan Corporation be applied to any debts owing to the Ministry by the former owners of the properties.

On November 21, 1974 the Ministry responded as follows:

“The balance as of March 31st, 1974, was \$3,837,394.00, and was not \$5,678,405.00 as your Office reported. It should be emphasized that these receivables are created due to farmers’ defaults in payment of bank loans under the terms of the guarantee and that they are unsecured. However, collection action is being taken by this Ministry as indicated in the report and \$1,141,170.00 was recovered and 434 accounts amounting to \$1,255,508.00 were submitted to the Central Collection Agency for necessary action. The write-off of six persons’ debts amounting to \$24,497.00 was done after taking into account the claims of preferred and secured creditors. However, the fact that an account is written off only implies that it is taken off the traditional receivable records and set up separately. It will be recovered if any excess potential surplus arises after payment of all preferred and secured creditors is realized . . .”

**83. Establishment of Programs by Act and Regulation Recommended, Ministry of Agriculture and Food.** In our 1972-73 Report (section 91) we pointed out that the Ministry tends to establish programs mainly by Order in Council. We recommended that wherever possible the programs be established by Act and Regulation.

During our most recent audit we observed that the Ministry still makes frequent use of Orders in Council or Ministerial policy to establish programs. The Ministry, in its reply to our recommendation on this subject, indicated that this was a policy matter. However, the fact remains that if the terms and conditions of programs were set forth in the Act or Regulations, these details would be public information.

**84. Plant Consolidation Assistance Program, Ministry of Agriculture and Food.** The Plant Consolidation Assistance Program was established by Order in Council 2646/70 dated August 27, 1970 and amended subsequently by three other Orders in Council. The purpose of this program was to assist operators of non-viable industrial milk plants, by means of grants, in selling or terminating their businesses. Grants were payable under this program in respect of the period September 1, 1970 to December 31, 1973.

The Order in Council establishing the program in 1970 limited the grants payable to one operator to \$100,000 but did not define the word operator. A corporation and its wholly-owned subsidiary were granted \$181,461, consisting of \$100,000 for the termination of one plant and \$81,461 for the termination of another. Payments of these grants were requisitioned in March 1974 and were charged to the 1973-74 appro-



priation. However, it was not until April 24, 1974 that the program was amended to allow grants to be paid to an operator in respect of one or more plants to a maximum of \$100,000 per plant.

The financial information supporting the grant applications for the above plants was reviewed. We noted that the grant of \$100,000 was paid on behalf of a plant whose financial data reflected earnings of \$178,433 for the year ended November 30, 1973, and a loss of \$34,283 for the month of December, 1973. We also noted that the grant of \$81,461 was paid on behalf of a plant which reported a net income of \$45,219 for the eight months prior to the date of application.

The above financial information was not supported by financial statements certified by the auditor, as required by Order in Council. One of the plants concerned was an integral part of the parent company and the information required for application purposes was extracted from the parent company's balance sheet and operating statements.

In accordance with Order in Council 2646/70, applications for grants under the Plant Consolidation Assistance Program must be approved by The Milk Commission of Ontario. It was noted that a member of The Milk Commission of Ontario was formerly a director of the parent corporation concerned. Information available at the time of audit further indicated that a member of the Advisory Committee to the Milk Commission was also a director and officer of the same corporation at the time the grants were paid.

In a reply dated November 21, 1974 the Ministry indicated that:

"When the program was established, it was intended that the limit of \$100,000.00 would apply to each plant rather than each owner. The 1970 Order-in-Council failed to define the word 'operator' as your memorandum indicates. Therefore, in order to clarify the intent that each plant could receive a maximum of \$100,000.00 an amending Order-in-Council was issued.

The member of the Milk Commission of Ontario, who was a former Director of one of the corporations receiving a grant, deliberately absented himself from all discussions to avoid any conflict of interest. At no time were any grant applications discussed with Processor members of the Advisory Committee to the Commission.

The grant is based on the non viability of the plant. Payments received under insurance policies are unrelated as these are merely a compensation for loss of assets."



**85. Unpaid Fines Imposed by Provincial Courts, Ministry of the Attorney General.** Details of fines imposed and amounts paid into Provincial Courts are maintained in court records, and are reported in total in monthly returns to the Ministry. Statistics available at the time of audit indicated that the total unpaid fines amounted to over \$14,500,000 as at May 31, 1973.

The report to the Minister on the prior audit, in commenting on the value of unpaid fines at that time, recommended that the Ministry measure the effectiveness of court administrative procedures for the collection of fines by selecting a representative sample of unpaid fines from court records and applying collection procedures against them. The Management Audit Branch of the Ministry subsequently commenced a survey of the accounts receivable/unpaid fines in a selected number of Provincial Courts (Criminal Division) where arrears in fines were accelerating, as well as a review of the collection procedures in effect. An interim report in this regard was issued to the Executive Director of the then Administration and Finance Division which contained comments on procedural deficiencies noted during the review and suggested possible causes for the increase in unpaid fines.

Since fines imposed under The Highway Traffic Act, The Public Vehicles Act and The Public Commercial Vehicles Act were estimated to be approximately 45 per cent of the total value of unpaid fines, it was felt that efforts should be concentrated, at first, on the collection of outstanding amounts related to these Acts. Accordingly, The Highway Traffic Act, R.S.O. 1970, was amended by The Highway Traffic Amendment Act, 1972 which states in part,

“(2) where a justice is satisfied that a person is in default of payment of all or any part of a fine imposed upon conviction for an offence against The Highway Traffic Act, The Public Vehicles Act, The Public Commercial Vehicles Act or the regulations made under any of them, he may, in addition to any other order which may have been made under The Summary Convictions Act, issue an order to the Registrar directing the suspension of the driver's licence of such person and the Registrar shall suspend the licence.”

Licence suspension procedures for persons delinquent in the payment of outstanding fines were put into operation on April 2, 1973. In the initial stage these procedures were only applied against currently convicted drivers who were still indebted to the Courts with respect to fines imposed prior to April 2, 1973. In July 1973 licence suspension activities were extended to include all drivers who had not paid fines imposed in the two years preceding April 2, 1973. At the termination of the audit,

authorization had not yet been issued to apply these procedures to persons whose unpaid fines had been incurred subsequent to April 2, 1973. Although the effect of the licence suspension legislation in reducing the number and value of unpaid fines has not yet been statistically established, it is felt that a considerable benefit can be expected from its application.

On September 16, 1974 the Ministry advised that:

"Approximately 75% of the Courts have processed their defaulted fines arising prior to April 1, 1973 and are now operating on current suspensions. We expect that by January 1, 1975 all courts will be in a current position. This program is being closely monitored by senior management."

#### **86. Waiver of Tendering Procedure, Civil Service Commission.**

In the previous audit of the revenue and expenditure records of the Commission reference was made to the exclusive use of one advertising agency for placing the advertisements in newspapers. We suggested that consideration be given to ratifying the arrangement with a formal contract and that financial savings might be realized if other agencies were asked to tender on the service.

During the fiscal year ended March 31, 1974, payments to the agency in total were \$298,426. Management Board of Cabinet approved a request to form a contract with the agency, and waived the requirement to obtain at least three tenders. The Commission had requested this waiver for the following reasons:

- "1. the agency has considerable experience with the unique needs and requirements of the Government of Ontario;
2. the Civil Service Commission is in the process of developing a policy on employment advertising for public servants; and it is felt that it would be expedient to maintain the status quo until the existing policy and related system have been amended or replaced."

The arrangement with the agency subsequently was confirmed by a letter of agreement dated March 4, 1974. In light of the significant amount of the payments, we believe that a formal contract would have been more appropriate and that tenders for this service should be reconsidered.

We were advised by the Commission on November 29, 1974, that the agency concerned is to be given three months notice on January 1, 1975 that the existing contract is to be cancelled on March 31, 1975. Tenders are then going to be invited for a new contract to become effective on April 1, 1975.

**87. Examination of Lottery Records, Ministry of Consumer and Commercial Relations.** During a review of records in the Lotteries Branch of the Ministry we noted that large sums of money are being administered by a growing number of lotteries in the Province. A thorough examination of each lottery's records is considered essential. Lottery records were being examined on a selective basis by the Ministry with the personnel available, and we were informed that representation had been made to obtain additional staff for this purpose.

On June 5, 1974 the Ministry advised us that:

"Over the past two years submissions have been made without success to Management Board for additional complement to examine lottery records.

It is our intention to make representation again in the next fiscal year, stressing the Ministry's concerns for the need to conduct thorough examinations of lottery records in view of the large sums of money involved. We shall advise Management Board that the Provincial Auditor has similar concerns."

**88. Land Registry Offices, Ministry of Consumer and Commercial Relations.** The total revenue received at all Land Registry Offices is estimated to be in excess of \$6 million per month. The major portion of these funds is derived from collections made under The Land Transfer Tax Act and The Retail Sales Tax Act on behalf of the Ministry of Revenue. The remainder of the fees collected accrue to the Ministry of Consumer and Commercial Relations. Instructions issued with respect to the operation of Land Registry Offices indicate that all fees collected by these offices should be forwarded to the respective Ministries during the first week of the following month. The review of receipts from these offices for the month of July 1973, however, revealed that most of the funds were received by the Ministries on various dates from August 8, 1973 to September 11, 1973. In order to make these funds more readily available to the Treasurer of Ontario, we recommended that collections at the Land Registry Offices be transferred to the Ministry of Revenue and the Ministry of Consumer and Commercial Relations at the end of each week.

Bank balances in all Land Registry Office bank accounts were confirmed direct with the depositaries as at July 31, 1973. The total of these balances amounted to \$3,615,191 on that date. Due to the delays in processing the transmittal of collections to the Ministries concerned, substantial balances have been maintained in these accounts throughout each month. We noted that despite the limited number of cheques drawn on these accounts, only five depositaries pay interest on the funds. It was also noted that accounts were maintained in chartered



banks in localities where Province of Ontario Savings Offices were also located. Consideration should be given to utilizing the facilities of the Province of Ontario Savings Offices wherever practicable.

At July 31, 1973 accounts receivable in excess of \$37,000 were recorded at nineteen Land Registry Offices with respect to members of the public who had received services on a credit basis. This procedure is contrary to section 2 (1) of The Land Transfer Tax Act which requires a tax to be paid before any document is registered. The granting of credit for the convenience of customers should be discontinued. The Registrars concerned should be given the responsibility of collecting any outstanding accounts.

When the Ministry of Consumer and Commercial Relations was formed on April 1, 1972, arrangements were made whereby the Management Audit Branch of the Ministry of the Attorney General would continue to perform regular audits of each Land Registry Office at an annual charge of \$10,000. As at July 31, 1973 there were a number of offices that had not been audited for a period of one year or more. The examination of those internal audit reports completed during the year revealed a number of matters requiring attention such as bank deposits not made daily, lack of safekeeping facilities and cash registers, lack of internal control and inadequate facilities and accommodation. To maintain more adequate control over the Land Registry Offices it will be necessary for the administration to enforce existing regulations and procedures and to ensure that these offices are audited annually by the Management Audit Branch of the Ministry of the Attorney General or members of the Internal Audit Section of the Ministry of Consumer and Commercial Relations. In this respect consideration should be given to providing a larger complement of internal audit staff within the Ministry of Consumer and Commercial Relations to enable them to perform all audit functions required for the Land Registry Offices and other areas of their own Ministry.

With regard to the above matters the Ministry wrote to us on June 5, 1974 as follows:

"The Division has established procedures to ensure Land Registry offices are transferring revenue funds four times monthly.

Arrangements have been made to transfer bank accounts to Province of Ontario Savings Offices. There are two exceptions. One is in Windsor where the bank is a considerable distance away. The other is at the City Hall, Toronto. The large sums of money involved make it impractical and less secure to use the Province bank.



The practice of granting credit to customers of Land Registry offices is being discontinued. Outstanding accounts are being collected.

The auditor complement of the internal auditor's staff has been increased by one.

It is the intention of the internal auditor to cover those financial audits not performed by the Management Audit Branch of the Ministry of the Attorney General, to ensure the Land Registry offices are audited annually."

**89. Inadequate Records and Procedures at Guelph Correctional Centre, Ministry of Correctional Services.** During our audit of the revenue and trust fund records of the Guelph Correctional Centre, a number of observations were made. We noted, for example, that during the 1972-73 fiscal year tailor shop finished goods, valued at over \$48,000, were transferred without charge, to main stores for institutional use. We recommended that this practice be discouraged as it permits the Correctional Centre to by-pass the budgetary controls imposed by the Legislature.

We also observed that abattoir records and procedures in their present form are not considered adequate to provide a satisfactory measure of control over the inventory of meats on hand. The results of two separate physical counts of stock by members of the Correctional Centre staff, one taken as at March 31, 1973 and the other as at October 31, 1973, indicated apparent stock shortages of approximately \$10,000 and \$15,000 respectively. Subsequent to each of these physical counts the stock cards were adjusted to reflect the actual inventory quantities on hand at the dates of the counts. These adjustments were made before the causes of the shortages had been fully determined. The abattoir industry requires a considerable expenditure of Government funds and steps should be taken to establish comprehensive records and procedures to provide effective control over all phases of its operation, including the purchase of livestock and the preparation, safekeeping and sale of meats. In this regard we submitted a number of recommendations to the Ministry for consideration.

In the area of general stores we noted that the industrial stock ledger cards had not been in balance with the general ledger control account since June 30, 1973. A test count of forty-five items of industrial and institutional stock was made during the course of audit in January, 1974. In twenty-five instances the physical quantities on hand differed from the inventory record amount. The net effect of these differences was an apparent stock shortage in excess of \$5,000. In addition to these differences, four of the inventory items selected for the test could

not be counted because of the disorderly state of the stock. We recommended that personnel at the Centre, possibly assisted by members of the Internal Audit Section of the Ministry, make a complete physical count of all items of industrial and institutional stores, and review all related stock transactions to establish the accuracy of inventory records and to ensure that a full accounting has been made for each stock item.

With regard to the foregoing observations the Ministry replied on April 3, 1974 as follows:

*"Transfer of Tailor Shop Finished Goods to the Institution Without Charge*

We certainly agree that this practice permits the Correctional Centre to bypass budgetary controls and on two occasions we had advised the Institution officials that the procedure was incorrect. A directive is being forwarded to all institutions operating industries to ensure that proper invoicing procedures are followed.

*Abattoir Shortages*

To date we have been advised that the apparent stock shortages reported as of March 31, 1973 resulted from errors in physical counts at the Abattoir due to the practice of taking physical inventories and carrying out regular shipping activities simultaneously. We are advised that the Institution drew up a detailed set of instructions for the Abattoir Shipper to follow, followed by a meeting with various Abattoir Supervisors to stress the importance of regular checks and accurate records. We have not at this time had any information with respect to the shortages reported as of October 31, 1973, and this is being investigated by our Chief Internal Auditor.

You are aware, of course, of the pending change at the Abattoir whereby operations will be taken over by private industry in the very near future. In the meantime, Institution officials are being asked to ensure that existing controls and procedures are explicitly followed.

*General Stores*

Acting on information from another source, procedures, security and stock differences of the Institution Stores were investigated by our Internal Audit Branch and Inspection Branch during January and February. A complete inventory was taken under the supervision of our Internal Audit Branch and the results of our investigation and stocktaking are available to your Auditors. I would advise that following our investigation the Storekeeper and Assistant Storekeeper have resigned and have since been replaced. Also, an additional Clerk has been hired to assist them. Proper stores procedures have now been installed."

On May 13, 1974, we were advised as to the findings of the Chief Internal Auditor with regard to abattoir shortages at October 31, 1973. He determined that “. . . this shortage was mainly attributable to the Beef and Pork waste in the tankage or cooker, not being reported in the October 31, 1973 inventory. There should also have been an allowance for the wastage on Beef cut-up during the period. . . .”

**90. Revenue for 1972-73 Recorded in 1973-74, Ministry of Correctional Services.** The Ministry of Correctional Services manufactures vehicle licence plates at the Millbrook Correctional Centre. The vehicle licence plates are sold to the public by the Ministry of Transportation and Communications who reimburses the Ministry of Correctional Services for the estimated cost of manufacture. This reimbursement is recorded as expenditure by the former Ministry and as revenue by the latter Ministry.

During the 1972-73 fiscal year the cost of manufacture of vehicle licence plates amounted to \$1,210,948. Expenditure and revenue recording by the respective Ministries was to be effected in that year by journal entry. However, while the expenditure portion of the journal entry was recorded by the Ministry of Transportation and Communications during the 1972-73 fiscal year, the revenue portion of the journal entry was not recorded by the Ministry of Correctional Services until the 1973-74 fiscal year. Since income from this source represents a substantial portion of the Ministry's total revenue, positive steps should have been taken to reflect such revenue in the year to which it applied.

**91. Review of Expenditure, Ministry of Correctional Services.** Observations made in the course of this review included the following:

During the period 1970-72, a dormitory building at a camp was constructed at a cost of approximately \$127,000. Included in this amount was the construction of the foundation at a tendered cost of \$10,700. Apparently as the result of a lack of soil investigation and the staging of construction, repairs to the foundation and floors were required during 1973 at a cost of \$39,733.

Members of certain consulting engineering and architectural firms carried out design and planning work while appointed as unclassified staff with the Ministry. Later, the services of some of these firms were obtained to supervise construction. In one instance, a purchase order for the services of an architect was issued during the interval between two periods of employment on the unclassified staff. The architect submitted an invoice for the services immediately after the second period of employment. We recommended that the policies and procedures for design, planning and construction of physical assets be defined and published in the Ministry's policy and procedures manual.



Multi-year licence plates are manufactured at one of the Ministry institutions. The contract for the supply of steel for the 1972 production was awarded subsequent to a call for tenders and the testing of samples provided by the tendering firms. The Ministry did not invite tenders for the 1973 production since it was not deemed feasible to repeat the process of tendering and conducting the lengthy and expensive tests. Instead, a purchase order was issued in favour of the 1972 vendor for the supply of 750 tons of steel at a total cost of approximately \$280,000. However, tenders were invited for the 1974 production and the contract was awarded to the same firm. In view of the amount of steel required, we felt that tenders should be invited annually.

With regard to these observations the Ministry advised us as follows:

"The repairs to the foundation and floors of the dormitory building to which you refer were undertaken to protect the original investment. The primary cause of the damage could only be established by an engineer's survey, but the suggestion contained in your report that the damage can be traced to lack of soil investigation is problematical."

and

"The procedures followed in employment of the architect on unclassified staff and on contract, was followed to minimize costs and to exercise the maximum of control over various assignments.

The process of reducing the involvement of the staff of this Ministry in design and construction which was evident during the period of your review is continuing. It is expected that all responsibility for design and construction will be transferred to the Ministry of Government Services by April 1975, and policies and procedures of the type recommended in your report would appear to be redundant."

and

"The steel consumption for licence plate manufacture in 1973 was estimated at only 30 per cent of the 1972 consumption. It was determined that two of the three qualified sources would not offer any improvement in price and that the existing supplier would continue to provide materials at a lower price. The process of tendering is lengthy and expensive in manpower, research and testing, and the decision not to tender for the year 1973 resulted in a saving in research and testing costs."

**92. Accountable Advance, Ministry of the Environment.** The Ministry was unable to provide an accurate reconciliation of the accountable advance as at October 31, 1973. It was understood that the



accountable advance records contained errors extending back to March 31, 1973. In addition, as late as February 1974, the General Ledger had not been posted since March 31, 1973.

We confirmed with the Ministry of Treasury, Economics and Inter-governmental Affairs that the accountable advance as at October 31 and November 30, 1973 was \$325,000. The Ministry of the Environment, however, was employing funds totalling \$445,000 as at October 31, 1973 and \$638,000 as at November 30, 1973, the additional moneys having been made available from plant operating funds. An examination of the accountable advance bank statements revealed that the account had been overdrawn during several periods from April 1, 1973 to October 31, 1973 and that overdraft interest of \$1,185 had been charged. The bank reconciliation as at October 31, 1973 listed several adjustments including overdraft interest items which had not been resolved by journal entry or other appropriate action.

It is considered imperative that the accountable advance be reconciled on a regular basis as soon as possible after the month-end and that reimbursement procedures be reviewed with a view to reducing the total funds required for accountable advance use.

According to the Ministry's records, travel and petty cash advances totalling \$145,181 were held by some 800 persons as at October 31, 1973. Our tests of the records indicated instances where advances were in the possession of former employees, and others where the amounts were incorrectly stated or subject to infrequent utilization. We also noted that confirmation of the advances carried out by the Accounts Office at March 31, 1973 had not been followed-up. We recommended that all advances be confirmed and appropriate follow-up action taken to adjust the Ministry's records. Advances should be reviewed on a regular basis so that the total can be reduced to an amount consistent with the Ministry's requirements.

On October 31, 1974 the Ministry replied as follows:

"The remarks with regard to the balance of funds on hand in the accountable advance are in agreement with our records. The total fund at September 30, 1974 stands at \$649,000 which is in agreement with the records of the Ministry of Treasury, Economics and Inter-governmental Affairs.

The overdraft arose because of the increased activity resulting from the combining of ordinary expenditures and plant operating expenditures. The overdraft interest charged by the bank was subsequently credited back to the account in April 1974 following agreement by the bank that overdraft interest had been improperly charged to the Ministry in the first place.

The realignment of duties resulting from total reorganization of the Branch will call for a regular monthly reconciliation of this account. A schedule has been developed to review utilization of advances on a regular basis. All deficiencies noted in the advance accounts at March 31, 1974 are being actively pursued by Ministry staff or Central Collection Services of the Ministry of Government Services. The ledgers and reconciliations have been brought up to date."

**93. Appropriation Control, Ministry of the Environment.** An amount of \$81,144,000 was allocated for disbursements on municipal and provincial projects, and formed a part of the funds appropriated under Vote 1802, Item 3 for the 1973-74 fiscal year. Actual disbursements as at March 31, 1974 totalled \$81,481,284. The over-disbursement was subsequently covered by a Management Board Order on May 28, 1974 in the amount of \$340,000. However, we believe an Authorization for Commitment to re-allocate funds within the Vote and Item would have been sufficient since the total expenditure under Vote 1802, Item 3 was less than the amount appropriated.

The Ministry subsequently advised:

"We have noted your comment to the effect that a Management Board Order providing further funds in the amount of \$340,000 for disbursements on municipal and provincial projects under Vote 1802, Item 3, for the fiscal year 1973-74 was not required and that the action needed under the circumstances was to obtain an Authorization for Commitment to re-allocate funds within that Vote and Item.

Staff of the Financial Services Branch were under the impression that a Management Board Order was required when overspending occurs at a sub-item level. This misconception has now been cleared up and reallocations within an appropriation will be handled by an Authorization for Commitment in the future.

Further, a procedure has been instituted that will highlight potential overspending earlier and instances such as that noted in your comments should not recur."

**94. Assistance to Municipalities, Ministry of the Environment.** Water treatment and waste control is carried out by the Ministry of the Environment through provincial and municipal projects. A provincial project is a facility owned by the Province which treats water or sewage and which sells such service to a municipality or municipalities. A municipal project is a facility which also treats water or sewage but is constructed for, and ultimately paid for and owned by, a municipality or municipalities.

The cost of the water treatment and waste control facilities serving a municipality ultimately affects the charges payable by each homeowner for the services they provide. A program was initiated in 1969 to provide assistance to municipalities in which the sewage and/or water service charges per household exceeded certain amounts. The program was understood to apply only to provincial projects and a limit of 50 per cent of the total capital cost of the project was set. On January 15, 1973 Management Board approved a proposal to increase the assistance to a limit of 75 per cent of the capital cost. Although the submission to Management Board did not specifically mention municipal projects, it is noted that assistance has been granted to seven municipalities in respect of municipal projects.

From the inception of the program to October 31, 1973 a total of \$4,262,359 had been paid in the form of assistance. The statutory authority for the assistance is not specifically provided under The Ontario Water Resources Act. The assistance has been described in the Public Accounts and Expenditure Estimates under the heading "Other transactions".

In view of the nature and future significance of the assistance, we recommended that:

1. the program be authorized by appropriate legislation either as part of The Ontario Water Resources Act or by other legislation;
2. the assistance, whether in respect of municipal or provincial projects, be accounted for as transfer payments.

The Ministry replied to these comments as follows:

"It is the opinion of our Legal Services Branch that the statutory authority for this assistance is section 17 and 52 of The Ontario Water Resources Act. Additional legislative authority is not therefore deemed necessary."

and

"The description of this assistance has been and continues to be 'other transactions' at the direction of the Ministry of Treasury, Economics and Intergovernmental Affairs, who are responsible for the accounting policies within the Government."

**95. Cash Transactions, Ministry of the Environment.** In our 1972-73 Report (section 93) reference was made to a conflict in legislation between The Ontario Water Resources Act and The Financial Administration Act. Balances in five Ontario Water Resources Commission bank accounts became vested in the Crown under section 3 of The Ontario Water Resources Act. However, these funds were retained



outside the control of the Treasurer of Ontario. Similarly, funds received and disbursed during the 1972-73 fiscal year for project operations were administered outside the control of the Treasurer of Ontario.

On March 12, 1974 the Ministry wrote to us regarding this matter and said, in part:

"Since April 1, 1973, all operating expenditures have been met from funds provided in our annual estimates. All receipts from municipalities have been transferred to the Treasurer of Ontario with the exception of those moneys relating to Debt Retirement and Reserve Funds. These moneys have been temporarily invested through the Investment Committee (appointed by Order-in-Council) in investments designated by the Ministry of Treasury, Economics and Intergovernmental Affairs.

Our proposed amendments to the Ontario Water Resources Commission Act, effective April 1, 1974, will eliminate the conflict in legislation between this Act and the Financial Administration Act."

Balances in the Reserve and Debt Retirement bank accounts totalled \$3,214,764 as at March 31, 1974. Subsequently, The Ontario Water Resources Amendment Act, 1974, proclaimed on June 18, 1974, provided that all amounts placed to the credit of the Reserve and Debt Retirement accounts be deposited with the Treasurer of Ontario. The balances in these accounts were transferred to the Consolidated Revenue Fund on October 31, 1974.

**96. Contracts re Municipal and Provincial Water Sewage Projects, Ministry of the Environment.** A number of contracts together with the related engineering and miscellaneous expenditures were examined. Our comments included the following:

Project 1-0030-66 was substantially completed early in 1973. During the course of construction a local school board requested a sewer connection to its premises. The Ministry agreed to do this work provided the school board would prepay 50 per cent of the cost. A gravity sewer was installed for the board in 1973 at a contractor cost of \$11,230. A letter from the board dated April 25, 1973 stated that the board had passed a resolution authorizing the installation with 50 per cent of the cost to be prepaid by the board. At the time of the audit no invoice had been sent to the board or payment received.

Project 1-0078-67 included costs for construction of a sewer and watermain for a high school. According to the documentation on file, if the school board wished to have these services installed, an agreement would be made with the Ministry to reimburse the Ministry for the costs



involved. The tendered amount was \$62,130 for sewers and \$38,600 for watermains. To July 25, 1974 the total costs incurred were \$63,635 for sewers only. No charges have been invoiced to the school board nor was there any indication that an agreement has been executed covering the terms of payment. It was understood that a meeting was to be arranged with the school board and the municipal officials to finalize this matter.

We recommended that the following procedures be carried out in connection with those projects on which the costs are shareable by outside parties:

- (1) A firm commitment should be obtained indicating agreement.
- (2) Engineering and interest carrying charges applicable to the work should be included in the invoiced costs.
- (3) The Financial Services Branch of the Ministry should be advised of potential recoveries to avoid any possibility of such items being overlooked.
- (4) In cases where the amount to be recovered is relatively high, consideration should be given to making interim billings as the work progresses.

On November 18, 1974, the Ministry commented as follows:

“(1) St. Marys, Project No. 1-0030-66

With respect to the matter of invoicing the local school board for its share of the cost of installing a sewer service connection to the school, it is true that there was delay in requesting payment from the school board. This matter is now in hand and payment from the school board of its share (50%) of the cost of installing the service is expected in the near future.

(2) Plantagenet, Project No. 1-0078-67

With respect to the provision of a sewer to serve the new High School, a resolution was passed by the Prescott-Russell County Board of Education November 26, 1973, undertaking to enter into an agreement with the Village of Plantagenet covering the installation of the sewer and whereby the Board would bear the cost of the sewer at the price quoted by the Ministry's contractor. Apparently such an agreement was never actually signed but our consulting engineer instructed our contractor to carry out the necessary work. The consulting engineer subsequently drew up a summary showing the costs to be borne by the School Board and sent it to the Village Clerk September

6, 1974, with a copy to the School Board and our Ministry. We then wrote the School Board directly September 13, 1974. The Village Clerk has since notified us that the School Board expects to pay in cash the \$55,386.86 due within the next few weeks, prior to the date when our Ministry will be finalizing its accounts for this project. The amount invoiced to the School Board included a pro rated share of the costs of design and inspection of construction. (This project was completed and put into operation in October 1974; no water service was provided to the High School).

- (3) Your recommendations (1) to (4) . . . relating to situations where costs are to be shared or borne by outside parties have been conveyed to staff concerned to guide them in future situations of that type."

**97. Engineering Study Costs, Ministry of the Environment.** During the development stages of water and sewage projects various preliminary expenditures are incurred by the Ministry on such items as design reports, aerial surveys, test drillings, soil investigations and option payments on future property purchases. The policy of the Ministry has been to charge these items to Services—Engineering Studies, under the Water Supply and Pollution Control Activity and to capitalize the amount involved when a project is completed. Consequently, such project costs do not bear any interest during the construction period. To March 31, 1974 a total expenditure of approximately \$3,191,000 has been charged to engineering studies of which approximately \$816,000, or 25 per cent, has been capitalized.

The Program Planning and Evaluation Branch of the Ministry issued a report in May 1974 on the Capital Construction Program of the Ministry. This report pointed out that a municipality becomes contractually liable to finance a project at the time an agreement is made with Ontario and, accordingly, engineering study costs should be capitalized at the agreement date. In our opinion such expenditures should be capitalized at the date of payment regardless of whether an agreement has been executed. In the event that a project is cancelled prior to the making of an agreement the costs involved could be written off subject to approval by Order in Council.

On November 26, 1974 we were advised that the Ministry now agrees that engineering study costs should be capitalized at the date of payment rather than at the date of the agreement with the municipality.

**98. A Review of Catering Agreements, Ministry of Government Services.** A review was made in June 1974 of the agreements existing between the Province and catering organizations for the operation of

dining areas for elected representatives in the Legislative Building and of cafeterias for public servants in Provincial Buildings in the Metropolitan Toronto area. Three of the agreements included in this review were not arranged by the Ministry of Government Services. The review did not include the concessions granted for serving meals to the public or cafeterias operated for Crown Corporations.

### *Legislative Building Dining Areas*

In October 1972 the Ministry of Government Services requested tenders from a number of companies to provide catering services in the Legislative Building on the basis that the Province would supply all cooking and dining equipment, that selling prices of meals would be established, and that the caterer would operate the dining facilities at his own risk and expense. The successful tenderer would also be required to provide consultation service to advise the Ministry on the remodelling of the dining areas.

Four catering companies submitted tenders for this contract. Six other companies who were invited to submit tenders declined to bid on the contract as it was presented but indicated that they would be interested in the project if the terms of the contract were changed to permit them to charge a management fee to operate the dining rooms at the Province's expense. One of the operators who submitted a tender on the contract indicated that he would require a subsidy on the operation and his tender was therefore eliminated. A second operator suggested in his submission that the Province "might consider" a management fee or subsidy arrangement if the sales volume did not reach an acceptable level. This tender was not rejected.

On December 18, 1972 the Executive Director of the Legislative Services Division recommended that the Deputy Minister accept, from the three remaining tenders, the submission made by the caterer who was currently operating the cafeteria facilities in the Macdonald Block. This recommendation was based, among other things, on the operator's lack of involvement with other operations and the proximity of his present staff and facilities to the Legislative Building.

Prior to the signing of this agreement, however, discussions were apparently held between the successful tenderer and Ministry officials which resulted in a decision that the terms of the contract would be changed from those that were originally proposed. Instead, the terms would be drawn up in such a manner that the caterer would be paid a management fee to operate the dining rooms at the Province's expense. There was no written evidence available during the review to indicate when, or by whom, this decision had been made.



Despite this change in the original proposal for the operation of the dining rooms, the six operators who had suggested and expressed interest in this type of arrangement were not contacted or invited to submit tenders on the amended contract basis. Discussions continued with the previously accepted bidder. Agreement was subsequently reached whereby the caterer would be paid a monthly management fee of \$2,000 and would also be reimbursed for tendering and pre-operational costs of \$18,200.

### *Cafeteria Agreements*

Cafeterias for public servants are operated at eleven locations in the Metropolitan Toronto area on the basis of individual catering agreements. Four of these agreements have not yet exceeded their contract periods while the remainder have been continued on a year-to-year basis by mutual consent after their respective terms expired. Public or invitation tenders are known to have been requested for two of these operational areas before the related contracts were awarded. There is no evidence to indicate that similar action was taken with respect to the other awards.

The majority of the agreements arranged by the then Department of Public Works had been made a number of years ago and generally provided for fixed equipment to be supplied by the Province; light equipment, utensils, china, glassware and cutlery to be provided by the caterer; and the cafeteria to be operated at the caterer's risk and expense. The main variation to these terms was contained in the agreement relating to the Macdonald Block operation which indicated that the Province would provide all equipment, utensils, china, glassware and cutlery and that the caterer would replace and replenish these items as required.

There was no reference to the quality, quantity or selling prices of meals in seven of these agreements. However, despite a lack of contractual obligations in this respect, all but one of the caterers had requested, and received approval, for the selling prices in effect for meals.

At the present time there is a considerable variation in the terms of the agreements in effect. Consideration should be given to requiring tenders and standard agreements for each catering service. Since most of these contracts contain a 90 day cancellable term, this could be done on a progressive basis.

On November 12, 1974 the Ministry commented on these matters as follows:

#### *Legislative Building Dining Areas*

"It is agreed that the successful bidder on this contract was originally accepted on the basis that the facilities would be operated at the



caterer's risk and expense. However, after the contractor had been appointed and had begun to perform some of the services specified in the tender, namely to assist the Ministry of Government Services in the preparation of plans for the physical facilities, rapidly increasing prices made a review of the overall situation necessary and equitable.

In the light of this development, it was decided to proceed with the management fee arrangement rather than change the menu prices, which had formed part of the tenderer's submission and were, in part, responsible for his selection. It will be noted that it was also decided to remove from the caterer's responsibilities (and potential profit), the sale of alcoholic beverages.

To have invited all previously contacted catering companies to re-submit bids at that stage would have been unfair to the contractor who had been working with us on the project, and it would probably have delayed the commencement of catering operations."

#### *Cafeteria Agreements*

"We are aware that there had been a lack of uniformity in tendering procedures and in the terms of catering agreements administered by the former Department of Public Works. Steps have been taken which will ensure in future the use of a basic form of tender and a standard contract to provide the necessary safeguards to the Province and to establish acceptable catering standards as to quality, quantity and price."

and

"It is the intention of our Property Management Branch to phase in the new procedures referred to above as contracts are updated or replaced.

Our Audit Branch has completed a review of certain catering agreements and the balance have been programmed for review in due course."

**99. Accounting for Sales Tax Rebates on Construction Contracts, Ministry of Government Services.** Construction contracts are tendered and let on the basis of Federal Sales Tax included. Under this procedure claims are submitted to the Federal Government to obtain refund of the Federal Sales Tax included in the contract cost. The construction expenditures of the Ministry, however, are budgeted on a Federal Sales Tax exclusive basis. Therefore, as the tax refunds are received, they should be credited to the related project expenditure in order to achieve accurate budgetary control and correct net expenditure for Public Accounts purposes. However, in many cases refunds are not

received in the same fiscal year as the related expenditures were made, and these refunds are deposited to revenue as a recovery of prior year's expenditures. Consequently, under the present accounting policy rebates are frequently not credited to the project in the accounting records. By way of illustration several major capital projects were reviewed involving claims for Federal Sales Tax refunds of \$1,040,889. Upon settlement \$502,583 of this amount was credited to revenue.

To avoid overstatement of project cost by the amount of Federal Sales Tax rebate deposited to revenue, and to achieve consistency in the recording of project costs, we recommended that consideration be given to appropriating funds for capital projects inclusive of Federal Sales Tax, with all recoveries of tax on these projects being credited to revenue.

With regard to this matter, the Ministry replied on July 31, 1974 as follows:

"Sales Tax rebates are processed in accordance with government accounting policies.

A submission to the Management Board regarding a change in budgeting and reporting for Capital Construction, along the lines suggested, e.g. to include Federal Sales Tax in the cost, was made on June 18, 1973. The proposal, a copy of which is attached, was not accepted. However, discussions are now underway between the Federal and Provincial Governments which might change the present basis of payment and a Task Force has recently been set up by Management Board to gather information in this connection."

**100. Insurance on Projects under Construction, Ministry of Government Services.** Expenditures by the Ministry for the acquisition and construction of physical assets are reported on page 105 of Volume 1 of the Public Accounts, and were in excess of \$62 million for the 1973-74 fiscal year.

During an audit of expenditure records we noted that projects under construction are insured for fire under "Builders Risk" or "All Risk" policies placed through the Province of Ontario—General Insurance Program. All of this type of insurance is obtained through one insurance broker without tender. We also observed that separate insurance coverage is requested for each project which necessitates the processing of separate policies and premium notices. We suggested that consideration be given to bringing all contracts or those contracts under a certain value under one policy. Additions and deletions would be made as new contracts are let and old contracts are completed with the premium adjusted accordingly.

With regard to this matter the Deputy Minister advised on July 31, 1974 that:

"I share the view that consideration should be given to alternative methods of covering the potential or actual losses arising from fires, etc. on projects under construction. The alternatives include (1) more self-insurance, (2) blanket contracts of the type referred to in your report, or (3) insisting that the appropriate coverage be maintained by the contractor. The matter is part of a current overall insurance review project and I expect an appropriate recommendation to be made to the Government before the end of the current fiscal year. The low premiums involved in each of the contracts under the present system leaves them well below the level currently stipulated for competitive proposals or public tendering. For practical reasons the limit on this has been set at \$1,000; the builder's risk policies usually cost less than \$500. However, should a blanket policy be selected as a result of the aforementioned study, a more competitive vendor selection process will be appropriate and will be applied."

**101. Outstanding Cheques per Bank Reconciliations, Ministry of Government Services.** It has been the practice to record outstanding cheques for a period of five years before they are transferred to the outstanding cheque reserve account. The total of cheques outstanding from one to five years amounted to approximately \$450,000 as at February 28, 1974. As a result, many of the bank reconciliations show a considerable number of outstanding cheques in the one to five year category.

A number of these outstanding cheque situations were reviewed in depth during the audit. We determined in several instances that, despite the outstanding status of the cheque, the payee and/or the Ministry concerned considered the relative account paid. Such circumstances are almost impossible to resolve several years after the fact. An earlier follow-up on outstanding cheques is definitely warranted.

Treasury officials are of the opinion that internal control may be weakened by advising the Ministry who requisitioned the issue of the cheque as to its outstanding status. We feel, however, that internal control would not be weakened, and that procedures would be improved, if the Internal Audit area of the Ministries were advised of cheques outstanding for more than a reasonable period of time. The Internal Audit staff could investigate the circumstances and then make recommendations as to the appropriate action to be taken.

The Ministry of Government Services subsequently advised that they agreed with our recommendation that Ministries be informed of outstanding cheques that had not been cashed. However, they referred our observations regarding outstanding cheques to the Ministry of Treasury, Economics and Intergovernmental Affairs for further comment. On October 31, 1974 the latter Ministry responded as follows:

"We are now formulating a policy of an annual transfer of all outstanding cheques of more than 12 months duration to the Reserve for Outstanding Cheques Account. In all probability the first such transfer will take place at December 31, 1974, thereby clearing from the bank reconciliations all outstanding cheques dated 1973 or prior. This will considerably reduce the long outstanding items appearing on bank reconciliations.

We view with alarm, however, the suggestion made by the Ministry of Government Services that information on outstanding cheques be supplied to the ministries. We see it as an integral part of internal control that ministries are not made aware of the status of cheques which they presume to have been paid. I am sure you would agree that the system should prevent the opportunities for collusion within the ministry or with outsiders which would be presented by the disclosure of such information. Accordingly my staff is writing to the Director of Government Accounting Branch specifically to prohibit this action."

**102. Parking Rentals, Ministry of Government Services.** The Ministry has entered into agreements with several commercial enterprises concerning the operation of Provincially-owned parking lots. Rental revenue from this source is substantial and for the year ended March 31, 1973, for example, was in excess of \$125,000.

The basis of rental payments to the Ministry normally involves a percentage of gross receipts and is, in every case, stipulated in the relevant agreement. Each agreement also states that annual financial statements are to be prepared by the operators for review and certification by a Government-approved auditor. Officials of the Ministry indicated that these statements have never been provided by, or requested from, the operators. We feel that the Ministry should obtain all pertinent financial statements relating to the operation of these lots and carry out any verification procedures necessary to ensure that the payments received from the operators are in accordance with the terms of the various agreements in effect.



The Ministry subsequently advised that:

"I agree with your observations that this Ministry should obtain financial statements and carry out verification procedures with respect to revenues from commercial operations of provincially-owned parking lots, and in this connection the Audit Branch is conducting a review of the status of current contracts."

**103. Press Gallery Lounge, Ministry of Government Services.** A canteen and an unlicensed bar are operated by the Ministry of Government Services for the convenience of members of the press. Ministry personnel provide the steward services, receive and disburse funds and prepare monthly financial statements on the canteen and bar operations. Profits derived from the operation of these facilities accrue to the Press Gallery and the Ministry does not receive any compensation for the services provided. There does not appear to be any formal signed agreement in effect between the press association and the Ministry concerning the operation of the Press Gallery Lounge and, as a consequence, the Ministry's responsibilities in this regard have not been clearly established.

We made the following suggestions with respect to the operations of the Press Gallery Lounge:

1. An agreement should be drawn up and executed between the press association and the Ministry which sets out the duties and responsibilities of the parties concerned.
2. The bar facilities should be properly licensed.
3. The bank account, currently in the name of two employees of the Ministry, should be recorded in the name of the press association.
4. Signatures of customers should be obtained for all sales made on a credit basis.
5. Surprise cash and inventory counts should be conducted at regular intervals by personnel from the Finance Branch or the Audit Branch.
6. Disbursements should be approved by a selected member of the press association.

On August 6, 1974 the Ministry notified us as follows:

"Consideration is now being given to also including the Lounge in the Legislative space controlled by Mr. Speaker. In the circumstances, it would seem to be desirable to defer action on any of the recommendations made until the question of future jurisdiction has been resolved."

**104. Accounts Receivable, Homes for Special Care, Ministry of Health.** Homes for Special Care are paid a standard per diem rate by the Ministry for each day that an approved person is in residence. The payments made by the Ministry are recorded in accounts receivable records as recoverable from the residents on whose behalf the payments were made. These accounts receivable balances can be settled by cash payments, by credits to which certain patients are entitled under The Family Benefits Act, or by credits to residents qualified for Extended Care benefits under the Ontario Health Insurance Plan.

During the prior audit period, cash payments made on behalf of residents and credits for residents entitled to benefits under The Family Benefits Act were recorded in the individual accounts receivable records. Commencing on April 1, 1972, however, when Extended Care benefits under the Ontario Health Insurance Plan were made available to qualified residents, a number of residents in these Homes became eligible for both Family benefits and Extended Care benefits. Due to the absence of an amended computer program, credits arising from Family benefits and Extended Care benefits have not been reflected in the accounts receivable records since April 1, 1972. These credits are presently being recorded and accumulated by the computer until arrangements for their processing have been made.

Expenditures for drugs which the Ministry authorizes on behalf of residents in Homes for Special Care are recoverable from the residents concerned. Prior to December 1, 1972 disbursements of this nature were shown as charges to the appropriate residents' accounts receivable records. Subsequent to that date, however, invoices for drugs purchased for residents were processed in a different manner and the costs were no longer reflected in the accounts receivable records or included in billings that were prepared on the death or discharge of residents. Ministry officials indicate that, commencing September 1, 1973, pertinent information relative to drug expenditures had been "captured" on computer records and that these costs would eventually be charged to the residents on whose behalf the purchases had been made.

As a result of the foregoing practices, the recorded accounts receivable balances, which totalled over \$60 million at December 31, 1973, bear little relation to the amounts actually recoverable by the Ministry.

Subsequently the Ministry replied that:

"The Auditor has stated that the accounts receivable balances totalling over \$60 million at December 31, 1973, bear little relation to the amounts actually recoverable by the Ministry. It is pointed

out that in reporting the accounts receivable balances at March 31, 1974 (Public Accounts 1973/74), estimates were made for the credits for Family Benefits Allowance/Extended Care credits and for a bad debts reserve, resulting in the revaluation of accounts receivable from this source at \$6,500,000.

Arrangements have been made with the Systems Management and Co-ordination Branch to amend the computer programs, and enter in the accounts receivable system both the Family Benefits Allowance/Extended Care credits and the drug charges, bringing the accounts receivable balances to their correct amounts. The target date for completion of this work is February 28, 1975."

**105. Depreciation on Equipment in Teaching Hospitals, Ministry of Health.** In the fiscal year 1973-74 sums of \$441,897 and \$592,739 were paid to two teaching hospitals for depreciation on equipment which had been acquired through Health Resources Development Plan Funds. The payments for depreciation were made on the understanding that the funds would be kept in separate accounts, and that expenditures for equipment from these accounts would be made only on the approval of the Ministry's Hospital Equipment Budget Committee. This policy places funds in the hands of hospitals in advance of the time required. In our opinion, it would be preferable to provide funds for the replacement and renewal of equipment to these facilities as and when required.

The Ministry subsequently indicated that:

"These comments refer to two University-owned, Teaching Hospitals which commenced operations in 1973. It was necessary for these two facilities to have immediate cash flow for depreciation in order to have funds to make replacements and additions to their equipment. Without such financial means, these hospitals would have been severely handicapped.

It should be mentioned that this policy does not apply to other teaching hospitals.

In most cases, hospitals, like business organizations, are not in a position to allow funds to build up, but they probably draw on the depreciation cash flow constantly, and so, from a practical point of view, it is not preferable to flow funds as and when it is required."

**106. Licensing of Commercial Laboratories, Ministry of Health.** The licensing of commercial laboratories is a relatively new program. Section 45d (1) of The Public Health Amendment Act, 1972, stipulates that no person shall operate or maintain a laboratory except under the authority of a licence issued by the Director of Laboratory Licences.

Ontario Regulation 483/72, which came into force on November 1, 1972, sets the fee for such a licence or renewal at \$500. Authority is also granted under this legislation to issue a provisional licence or renewal for a six-month period at a fee of \$250 to an applicant who does not meet the requirements for the issuance of a licence and requires time to meet such requirements.

It would appear that the limited inspection staff available have been unable to cope with the backlog of laboratory pre-licensing examinations. Since a licence cannot be issued until an inspection has been completed, a number of laboratories have been permitted to operate in contravention of the legislative requirements. From information provided by Ministry staff, it is estimated that additional revenue in excess of \$39,000 would have been received up to March 31, 1974 if all inspections had been completed in time to permit the related licences to be issued.

With regard to this matter the Ministry has advised that:

"The Auditor's statement regarding the inability of the original limited staff to complete the pre-licensing inspections of over 500 hospital and private laboratories, within the time limits dictated by the legislation, is correct.

The problem was gradually overcome by the authorization of additional complement in November 1973, which permitted the recruitment of 4 additional inspectors between November 1973 and February 1974."

**107. Operating Grants to Community Mental Health Facilities, Ministry of Health.** Operating grants to Community Mental Health Facilities are based on budgets submitted in accordance with regulations made under The Mental Health Act. At the end of each year actual operating results are compared with budgeted costs and final settlements are effected accordingly.

A payment of \$308,535 to one institution on April 23, 1974 was found to be the only 1973 final settlement made before the conclusion of the audit. We ascertained that the settlement was made on verbal instructions of the Executive Director of the Financial Services Division of the Ministry who advised the General Accounting Section that the necessary instructions would be forwarded. A copy of the letter of authority was subsequently obtained from the Executive Director which showed the final settlement to consist of:



Operating expenditures for 1973.....	\$ 5,419,208
Less: operating grants for 1973.....	5,008,003
Net operating deficit for 1973.....	\$ 411,205
Plus: equipment on hand April 1, 1971.....	77,481
Plus: operating advance (retention of profit on subsidiary program)....	19,849
	\$ 508,535
Less: payment on account, January 1974.....	200,000
Final Settlement.....	\$ 308,535

The payment of the operating advance and the reimbursement for equipment on hand on April 1, 1971, included in the above settlement, were not eligible under the legislation. In addition, reimbursement for equipment on hand seemed to be a reversal of the Ministry's position as stated in a letter to the institution dated October 2, 1973.

We noted further in the course of the audit that the institution in question has been paid since April 1, 1974 on a per diem basis although there is no statutory authority for such method of payment. Ministry officials felt that there was an implied authority for this form of payment, but indicated that an amendment to the Regulations was in course of preparation.

The Ministry replied as follows:

"Comment is made on two particular items which were in the settlement, namely, the payment for equipment on hand April 1, 1971, and an overpayment in 1973 on the satellite program of \$19,849.

Your auditor has not researched this matter adequately. The Ministerial letter, which he refers to as setting out policy, dated October 2, 1973, was superseded by the final discussions which Mr. McGavin was directed by the Minister to hold with John Brown of Browndale, Ontario, when we were negotiating finalization of 1973 costs, and the per diem rate resulting from it. The Auditor states that we reversed our position in the Ministry. Actually, we went to a policy on equipment, which gave the Ministry complete control of equipment costs instead of paying for them indefinitely as part of monthly rentals.

The advance of \$19,849 was a matter of judgment. At the request of Browndale, we did not recover this amount in the 1973 settlement. It was with great difficulty that we finalized and got agreement of the 1973 costs, which totalled approximately five million dollars, and it was a matter of diplomacy and good tactic to not insist on recovering the overpayment of 1973 on the satellite unit.

It is true that there is no provision in the Legislation to make working advances, but we could have recovered the overpayment in 1973, and then easily made them an advance on the account of costs in 1974. We do make a payment to the Children's Mental Health Facilities at the beginning of each month, in respect of the costs which they will incur for the oncoming thirty days. But we do not consider this as any long-term financing; it is just a matter of paying their costs in advance of what they will incur for that month, and we do feel that this is compatible with our legislative authority."

#### **108. Payments to Private Physiotherapists, Ministry of Health.**

During the year ended March 31, 1974, payments to private physiotherapists approximated \$4 million. These payments are made on a claim basis and the claim forms are sent mainly to the physiotherapists as they request them. Section 48 of Regulation 323/72 under The Health Insurance Act states that physiotherapy services are insured services where ordered by a physician. Control over these services is impaired if the issue of claim forms is not restricted to physicians.

We ascertained during the audit that the only procedure carried out by the Ontario Health Insurance Plan to verify that the recipients of these services are insured persons is to check that the OHIP number has eight digits. We suggested that a check of the insured status of the recipients of these services be made at least on a test basis.

Physiotherapists entitled to receive payment for their services are listed on Schedule 9 of Regulation 323/72. However, payments were made to a number of physiotherapists who were not listed on Schedule 9. Accordingly, these payments were contrary to legislative requirements.

In replying to these comments the Ministry maintained:

"The practice of issuing claim cards to the private physiotherapists was approved by all appropriate authorities when the Plan was introduced. Treatment courses are frequently initiated by the therapist because that is whom the patient first contacts. Since the physician must authorize all treatments by signature on the claim card, we can see little possibility of misuse of the program."

and

"Spot checks of insured status of physiotherapy patients have been made in the past. These revealed that OHIP coverage was invariably in good standing. Such tests will be carried out periodically to ensure the proper insured status of these patients. It should be noted that private physiotherapy treatment is almost always preceded by a period of hospital confinement. The hospital admission also

provides an opportunity to verify the insured status. Payments to physiotherapists not listed in Schedule 9, are made on an extremely limited and special basis. When the OHIP Physiotherapy Committee, with appropriate authority, is satisfied that a fully qualified physiotherapist is providing essential limited service, payments are approved on a one-time (i.e. patient) basis. This is purely a contingency measure because of the usual six-month period it takes to add a physiotherapist to Schedule 9 by Regulatory measures."

### **109. Queen Street Mental Health Centre, Ministry of Health.**

A number of observations and recommendations arising from our audit of the Queen Street Mental Health Centre were set forth in a memorandum to the Ministry. Some of the more significant items are related in the following paragraphs.

#### *Public Transportation Tickets*

Toronto Transit Commission street car tickets are issued by the Centre, without charge, for the use of patients and for staff members who are on duty assignments. The tickets are provided by the business office upon receipt of requisition forms signed by designated staff members from each ward or region. Over 400 requisitions of this nature, requiring the issue of between 9,000 and 10,000 tickets, were processed by the business office each month. During the twelve month period ended July 31, 1974 the Centre had expended in excess of \$28,400 through the accountable advance account on the purchase of 113,935 tickets for these purposes.

The procedures in effect during the period under review provided virtually no control over the issue and use of these tickets. Many of the requisitions examined lacked specific information as to the names or number of persons for whom the tickets were requested, or failed to indicate the purpose for which the tickets were required. The examination also revealed that requisitions had been processed by the business office although they had been approved by persons other than the designated ward or region staff members. In addition, quantities of unissued street car tickets were found to be on hand in several wards visited during the audit which indicated that the number of tickets requisitioned did not accurately reflect the use of public transportation. These practices have provided opportunities for the improper use of street car tickets.

All unissued street car tickets should be recalled from the wards immediately and returned to the business office stock. We also recommended that comprehensive procedures be developed and instituted to

provide an effective measure of control over the subsequent issue and use of public transportation tickets. The following suggestions were submitted for consideration in the development of these procedures.

1. Requisition forms should list the names of the persons for whom the tickets are required and indicate the reason for the request.
2. Provision should be made on the requisition form for the patients' signatures when the request concerns only one, or a small number of patients.
3. Requisitions should only be authorized by the supervisor of each ward.
4. Requisition for large quantities of tickets should be approved by the Director of Nursing.
5. Requisitions processed each month should be reviewed by the office manager to ensure that they comply with current instructions.

### *Ward Inventories*

Uncontrolled stocks of clothing, linen and grooming aids have been accumulated by the staff of the various wards at the Centre. These stocks have been built up by ward personnel requisitioning supplies, in excess of immediate needs, from the institution stockroom and retaining the surplus goods in separate storage areas in the wards pending possible issue to patients at a later date. There is no record maintained for the subsequent issue of these items and control over the goods ceases once they have been requisitioned from the institution stockroom. Responsibility for the custody of items in the ward storage rooms has not been assigned to any staff members and it is understood that a number of employees have possession of, or access to, keys for these areas.

Permitting these uncontrolled stocks to be maintained on the wards negates the controls inherent in the use of stores records and requisition forms. We recommended that these surplus goods be returned to the institution stores. Subsequent requisitions should be prepared only when goods are required for immediate issue to patients. If it is found necessary at a later date to maintain a small quantity of emergency supplies at the ward level, the required items could be provided on an imprest basis under the control of the head nurse in each of the wards concerned.



### *Unofficial Trusteeships*

On occasion staff members have provided their assistance to patients or former patients in the conduct of their financial affairs. This activity was referred to in a memorandum dated June 21, 1974 from the Director of the Psychiatric Hospital Branch which pointed out the possible embarrassment to staff members who assist patients in this manner and which stated, in part, that:

“Ex-patients who request help in handling their finances must be referred to the business office where funds can be handled through the ‘pin’ money account, with the hospital acting as unofficial trustee for the patient in this respect, utilizing all of the controls in the ‘pin’ money accounts.”

It was stated by an institution official, however, that cheques were still being directed to the Centre which were made jointly payable to former patients and the staff members who had assisted them with their financial affairs. Positive steps should be taken by institution officials to ensure that staff members completely sever all informal trustee arrangements with present or former patients. We also recommended that Ministry officials seek expert legal advice as to the advisability of permitting Mental Health Centre personnel to act in an unofficial trustee capacity for former patients by administering their funds through the Pin Money trust account. In this regard consideration might be given to utilizing the services of the Public Trustee to provide financial assistance and supervision to former patients during their adjustment to community life.

### *Potential Conflict of Interest*

In November 1973 the Director of the Psychiatric Hospitals Branch directed a copy of a memorandum to all Provincial Psychiatric Hospitals which provided guidelines for public servants in identifying potential conflicts of interest and delineated their responsibilities.

A subsequent memorandum on the same subject was issued on June 21, 1974 which contained the following comments:

“I am particularly concerned about possibilities of section 33 (1) (b) of The Public Service Act which states: ‘A public servant shall not engage in any outside work or business undertaking in which he has an advantage derived from his employment as a public servant;’ I suggest there may be situations where employees have interest in variety stores, boarding houses, or other service facilities to which patients or ex-patients are referred by staff members, particularly staff members who know the patient very well such as when they have dealt with, or are dealing with, the patient as a therapist. In

cases of this type a prudent employee should make sure that the routine of reporting a potential conflict of interest situation is followed so that he can be advised whether his business undertaking is in conflict with his position as an employee of your institution."

This memorandum was drawn to the attention of the institution staff and as at the termination of the audit there had not been any potential conflicts of interest reported to officials at the Centre.

During the course of the audit, however, it was ascertained that an employee owned at least one boarding house in the Metropolitan Toronto area. The ownership of this property was subsequently verified through an examination of records at the Registry Division of Toronto. In view of the concern expressed by the Director of the Psychiatric Hospitals Branch in his memorandum of June 21, 1974, the possibility of a conflict of interest with respect to this employee should be resolved by institution officials. Steps should also be taken to ensure that any other potential conflicts of interest are reported to the administrator by the staff members concerned.

On November 29, 1974 the Ministry responded as follows:

#### *Public Transportation Tickets*

"There is real difficulty in having the controls, as indicated by the Auditor, since public transportation is used very largely by clinical persons for the benefit of the patient. One of the objectives of the Centre is to accustom patients to community life as rapidly as possible. We would hope that the controls put on would not cause more trouble to the clinical staff of the institution than it is worth. However, we will carefully look into the situation, since there is a large number of street car tickets. Every effort will be made to implement the principles of control contained in the five recommendations of the Auditor. This will again be discussed with the Ministry auditors."

#### *Ward Inventories*

"We agree with the recommendation of the Auditor, and steps are now being taken to close out the issue clothing room in the basement and return larger stocks of unissued clothing to the stores, and establish a specifically locked smaller storage area on each ward for the emergency storage of some clothing, linen storage and other storage items."

#### *Unofficial Trusteeships*

"The Auditor reports there are still cheques coming to the Centre, which are made jointly payable to former patients and staff members. The Centre will attempt to stop this. However, it is still the

former patient's prerogative in this regard. We really have no control over him in this respect. The Auditor suggests that expert legal advice as to the advisability of permitting mental health centre personnel to act in an unofficial trustee capacity for former patients could also be questioned. This will be done by referring the matter to the Legal Branch of the Ministry."

#### *Potential Conflict of Interest*

"The Auditor reports that there is still someone in the Centre who may have a conflict of interest. This person was named by Centre people to the Auditor. The individual will be approached, making sure this person has read all of the directives, and knows the action which can be taken. If this person does not then admit to a conflict of interest, the matter will be fully investigated by Management, and the appropriate action taken under The Public Service Act to correct the situation."

**110. Recovery of Bursaries, Ministry of Health.** The awarding of a grant or bursary for post-graduate training in psychiatry is contingent, in the majority of cases, upon a commitment by the applicant to work for a stated period of time after graduation in a designated area or in the employment of the Ministry of Health. If the recipient does not fulfil this undertaking, or fails to complete the academic year of study or training for which the grant or bursary was given, the award, or a proportionate part of the award, is repayable to the Ministry together with interest thereon.

In our 1972-73 Report (section 115) we indicated that it was not possible to determine that a proper accounting had been made for all bursaries granted, or to ascertain the total amount that the Ministry should have recovered from recipients who did not fulfil required conditions.

During the course of a subsequent audit, we again reviewed the files pertaining to 51 bursaries granted in the 1966-67 year. In addition, 53 files relating to similar types of bursaries granted in the period from 1968 to 1970 were also examined. Of the total of 104 files selected for review, only 48 files appeared to be in a current and satisfactory condition. Of the remainder, 52 files could not be produced for examination and 4 files did not contain sufficient information to indicate if any recovery action should have been initiated by the Ministry. This situation was again referred to the Branch Director and assurances were received that the matter will be thoroughly reviewed.

The Ministry records indicated that as at February 28, 1974 there were 159 accounts receivable amounting to approximately \$341,000 for the recoverable portions of bursaries awarded. Of this number, 49 accounts

totalling in excess of \$66,000 had been referred to the Central Collection Services of the Ministry of Government Services for further attempts to effect settlement of the balances receivable.

On November 27, 1974 the following advice was received from the Ministry:

"Since the prior audit on this item, a concentrated effort has been made to review the 203 Psychiatric Bursaries issued between 1964 and 1972. From this total, 146 of these bursary recipients were at one time or another on the staff of this Ministry, so it was possible to obtain information as to return of service.

A summary of these findings is as follows—

1. Completed return of service Certificate #2 on file.....	102
2. Completed return of service Certificate pending.....	3
3. Return of service being assessed.....	5
4. Still returning service which is not completed.....	8
5. Referred for collection.....	28
	<hr/>
	146

The remaining 57 recipients of bursaries, of whom we had no record, were traced through the Medical Directory, and letters were sent requesting information about return of service.

From the fifty-seven (57) letters mailed, we had the following twenty-five (25) responses.

1. Appear to have completed satisfactory return of service.	22
2. Possible completion of return of service—further details to be obtained.....	3
	<hr/>
	25

#### Summary of the 203 Psychiatric Bursaries

1. Completed return of service Certificate #2 on file.....	102
2. Completed return of service Certificate pending.....	25
3. In process of returning service.....	18
4. No records—no reply to letter.....	30
5. With Mr. Wiseman for collection.....	28
	<hr/>
	203



The twenty-eight (28) referred to Mr. Wiseman have been acted upon, and we can report the following results:

(i) Instalment arrangements completed and payments regularly received.....	18
(ii) Under active collection activity.....	8
(iii) Deemed uncollectable.....	2

The institutions where return of service was provided are being requested to provide Certificate #2, hence the large number 'pending'.

A follow-up letter has been mailed to the thirty (30) bursary recipients who did not reply to our first letter."

**111. Subrogation Recoveries, Ontario Health Insurance Plan, Ministry of Health.** Where, as a result of the negligence, wrongful act or omission of another, an insured person suffers personal injuries for which he received insured services under The Health Insurance Act, 1972, the Ontario Health Insurance Plan is subrogated to any right of the insured person to recover the cost of past and future insured services. During the 1973-74 fiscal year approximately \$7,000,000 was recovered in this manner.

Under procedures in effect at the time of audit, cheques received from subrogation claims are held in the accounts office until the related file has been cleared in the Subrogation Office and the payment properly allocated to any other parties who have an interest in the settlement. As a result of this practice a substantial amount of money is withheld from the Consolidated Revenue Fund for an extended period of time. For example, the value of such cheques being held on May 16, 1974 was in excess of \$587,000, and included some remittances received in December 1973 and January 1974.

This matter was referred to the Ministry solicitor who indicated that there was no valid reason to withhold these cheques from deposit until the disposition of the payment has been determined. We were advised that cheques of this nature will be deposited as they are received, in future, and procedures will be established to control these payments until they are properly allocated.

**112. Audio/Visual Branch, Ministry of Industry and Tourism.** During the course of our audit of the Ministry's expenditure we noted that the Audit Services Branch of the Ministry had completed a review of the Audio/Visual Branch of the Communications Division in August 1973. We again directed the attention of Ministry officials to several matters disclosed by this review.

- (1) "The Photographers' busy season appears to be the two months of July and August as indicated by the planning schedules for 1971 and 1972. During this period about half the time is spent out on assignments with the other half at the office. No other planning was available for the other ten months of the year. The remainder of the staff of the Branch consider themselves rather inactive and would prefer to have more responsibilities to carry out. This suggests that the Branch is either over-staffed or that there is a lack of programmes for the Branch to execute."
- (2) It was noted that the director of the Branch spent 57 days in the 1971-72 fiscal year and 43 days in the 1972-73 fiscal year attending meetings of associations. This was considered to weaken the administrative control by the director.
- (3) The Photography Supervisor accompanied free lance outdoor writers on eight trips between July 1972 and June 1973 which cost the Ministry \$4,555 excluding air fares and other travel expenses. It was stated that a writer does not necessarily write an article as a result of a trip and it is therefore difficult to see the benefit derived of the cost involved.
- (4) One member of the Branch travelled to Cologne, Germany to attend a photographic equipment exhibition at a cost of \$1,566. The benefit of such a trip was questioned since it was understood that the Ministry did not intend to purchase or use any of the equipment demonstrated at that exhibition.
- (5) The Audio/Visual Branch has a substantial amount of photographic and audiovisual equipment to carry out its functions. The total value of this equipment was estimated to exceed \$150,000. Some equipment is permanently retained in the Branch but numerous items are utilized outside the Branch. At the time of the Audit Services Branch examination equipment costing approximately \$6,000 was on loan to several persons within and outside the Ministry. In some cases equipment had been out on loan with the same individuals for a number of years. Documentation on this equipment was found to be incomplete and incorrect. Some items could not be accounted for by the persons to whom it was loaned. Reasonable time limits were suggested to control the lending of equipment.
- (6) A comparison of equipment items on hand and out on loan with equipment items shown by the records disclosed a shortage valued at over \$8,500. A card inventory control system

was recommended to include all equipment on hand and subsequently acquired. Procedures governing equipment taken out for various reasons were also recommended.

- (7) A motion picture theatre is situated in the Hearst Block of the Queen's Park complex.

"A study of the utilization of the theatre revealed that the facilities were used for a total of 270 hours during the eight month period between October 1972 and May 1973. A breakdown of the usage shows that 50 per cent of the time was used by the Branch and Imax Film; 20 per cent by the Advertising Branch and the remaining 30 per cent by miscellaneous users. Comparing the actual usage to the total usage capacity, the utilization of the facilities is considered rather low (about 20 per cent).

If the utilization of the present facilities is not considered adequate one questions the advisability of further investment in the project."

Concerning these observations the Ministry wrote to us on September 13, 1974 as follows:

- "(1) The Audio/Visual Branch has been disbanded, with staff transferred to other areas or laid off. Functions have been incorporated with the new Communications Services Branch, where it is expected tighter administrative control will be exercised.
- (2) The Ministry has reduced the number of associations in which the former Director of the Audio/Visual Branch represents the Ministry from 8 to 3.
- (3) Improved administrative control has been introduced over the extension of hospitality and services to free lance outdoor writers.
- (4) Purpose of Audio/Visual employee's trip to Cologne was two-fold; educational to assist in developing long range plans for utilization of branch resources; and to develop possible ways to support Ministry's international program with Audio/Visual aids.
- (5) & (6) Inventory of Audio/Visual equipment in the Ministry and on loan has been strengthened through implementation of procedures recommended by the internal auditor.
- (7) Utilization of the motion picture theatre located on the 10th floor of the Hearst Block has been erratic. Any proposed future investment in this facility will be carefully scrutinized by

Ministry management. In the meantime, operating Divisions and Branches have been advised of the availability of the theatre for meetings other than audiovisual with the aim to increase its use."

**113. Licensing of Tourist Establishments, Ministry of Industry and Tourism.** In our 1972-73 Report (section 96) we commented as follows:

"The Tourism Act, 1972 requires a person operating a tourist establishment to obtain a Tourist Establishment Licence, and the Regulations made under the Act govern the issuance of licences and the payment of the related fees. It has been the policy of the Ministry to waive this requirement for any establishment that is licensed under The Liquor Licence Act. Consideration should be given to making provision for these exemptions in The Tourism Act, 1972 to ensure that Ministerial policy does not contravene the legislation."

This situation was unchanged at the time of our most recent audit and we advised the Ministry accordingly. On April 23, 1974 the Ministry advised:

"Tourism Act makes no provision for excluding L.L.B.O. licensed establishments from requiring tourist establishment licence. However, Regulations made under Tourism Act allows for this exclusion.

The Attorney General's Office has given an opinion on this matter, but as yet, the Ministry has not decided the specific corrective action to follow.

A significant point in this regard is that L.L.B.O. inspectors concentrate on licensed rooms only, neglecting to review kitchens, rental accommodation, etc. Thus, the general public is not protected by any Government agency in these cases."

**114. Review of Imax '73 Project, Ministry of Industry and Tourism.** During the course of our audit of the Ministry's expenditure we noted that in November 1973 the Audit Services Branch of the Ministry completed a review of Imax '73 project for the production of the film "Catch the Sun" for Ontario Place. Several of the findings contained in the Audit Services Branch report are outlined in the following paragraphs.

The contract with the producer of the film was executed in March 1972 although hiring of the crew did not commence until September of the same year. During this period the producer of this film was also working on the Maple Mountain project but no portion of his fee of



\$22,980 was charged to that project. Despite the fact that the Imax '73 film was completed by May 10, 1973 the producer's contract was extended to August 24, 1973, the maximum term stated in the contract. According to the terms of the contract his services could have been terminated on thirty days notice and fees in the amount of \$4,160 and expenses saved. For similar reasons fees paid to a crew member in the amount of \$2,275 and expenses could also have been saved.

The opinion was expressed that deficiencies in contracts with other crew members allowed them to be paid excessive amounts of fees. An example was cited of a crew member hired on a monthly fee basis of \$2,080 with a minimum of 100 contract days. This person spread the minimum contract days over six months and was thereby paid for six months. In addition he also claimed and was paid for 18 days' work on the Christmas Imax film in the same period. The double payment was calculated to be \$2,062. Three other members of the film crew, hired on a daily basis, received duplicate fees totalling \$430.

The contract covering the rental of an Imax camera and related equipment was considered by the Audit Services Branch to be inequitable to the Ministry. Also, changes to the contract were made on the signature of the producer, who was not authorized to sign on behalf of the Ministry. It was noted that purchases were made by members of the crew rather than by the Purchasing Officer, and that a conflict of interest may have existed where supplies and equipment were provided by the producer and a crew member.

The Audio/Visual Branch obtained about 40,000 feet of film in excess of the requirements for this production. The excess film, valued at approximately \$14,600, apparently could not be returned to the supplier for credit.

We were subsequently informed by the Ministry that:

"The situations covered relating to the Imax '73 film came about during a period when the responsibility for this function was not clearly defined within the Ministry. In future, any unusual contract will be forwarded to the Attorney-General for assistance in preparation—thus it is unlikely the double payment situation will arise again; all contracts must be properly approved; and possible conflicts of interest should be prevented as a result of formal purchasing policy and procedures.

The purchase of 40,000 feet of film was made anticipating requirements for future Imax productions."

**115. Studies re Development of Tourism and Recreation, Ministry of Industry and Tourism.** The Ministry of Industry and Tourism is investigating the feasibility of developing a major recreation area at Maple Mountain in Northern Ontario. One study on this subject was made by a firm of consultants for a fee of \$42,500 plus expenses. The scope of the study was specified in a proposal submitted by the firm and agreed to by purchase order dated January 23, 1973. It is understood that no tenders were called for the conduct of this study. It was learned that further studies are to be made in this area with some participation by the Agricultural Rehabilitation and Development Directorate of Ontario.

On September 13, 1974 the Ministry advised us that "The requirements of the Manual of Administration are to be followed in selecting all consultants."

**116. Weaknesses in Accounting Procedures and Controls, Ministry of Industry and Tourism.** During our audit of expenditure up to February 28, 1974 the following observations were made relative to previous audit findings commented upon in our 1972-73 Report (section 94):

Amounts totalling \$1,835,584 were paid to an advertising agency for its services in the period March 8, 1973 to December 31, 1973. At the time of our review a contract had been prepared to formalize the relationship with the agency but had not been signed. The same situation was noted to exist with a supplier for the creation and production of tourism publications. With regard to these matters the Ministry has since advised us as follows:

"The steps required to formalize, with letters of agreement, the relationship between the advertising agency and the suppliers of creative input to tourism publications is under active consideration in the Ministry and we have requested the Deputy Attorney General to prepare the proper type of documents. Production of tourism publications has been removed from the agencies supplying creative input, and the contract for printing each publication is now awarded following established tender procedures, as recommended by our Internal Auditor."

A review of the Ministry expenditures for services, supplies and equipment, which for the 1973-74 fiscal year exceeded \$6.6 million, again revealed a large number of purchase orders issued after the dates of the corresponding suppliers' invoices. This situation was compounded by a certificate placed on confirming purchase orders by the purchasing office stating "This confirmation order is issued

in support of Federal Sales Tax exemption only. The transaction does not have the approval of the purchasing office since it was not made in compliance with the purchasing policy of the Ministry." Expenditures were also made in a number of cases under verbal arrangements for which no formal contract or agreement could be located. A directive on purchasing procedures was issued on October 5, 1972 by the Executive Director, Administrative Services Division and the main points were restated by the Deputy Minister on May 23, 1973. We feel that more detailed purchasing procedures should be developed including such matters as tendering; use, disposition and control of purchase orders; and maximum amounts of purchases from petty cash. In this connection we were subsequently informed by the Ministry that:

"Steps are being taken to eliminate the unauthorized purchasing habits of operating staff. Detailed purchasing procedures have been reintroduced to all Ministry staff and continuous follow-up is undertaken to check violation.

Detailed purchasing procedures have been implemented and the maximum value of any purchase from petty cash established, as recommended."

**117. Advertising Expense, Ministry of Labour.** The Ministry's advertising expenditures, totalling in excess of \$250,000 for the year ended March 31, 1974, involve two advertising agencies. We understand that one agency is used primarily to promote the student employment program while the second agency is used for most other Ministry advertising. No written agreements exist between the Ministry and the two agencies. Also, we understand that no tenders are called for these services even though normal procedures require the calling of tenders for purchases over \$200.

**118. The Employment Standards Act, Ministry of Labour.** Section 34 (1) of The Employment Standards Act, as amended, permits the Director of Employment Standards, or any person designated so to do, to determine the amount or amounts of wages, overtime pay, pay for work performed on a holiday or vacation pay that is due to an employee or employees from an employer. Section 34 (2) of the same Act states, in part, that where a determination has been made under subsection 1, the Director or any person designated so to do shall require the employer to pay to the Director, in trust, a penalty of 10 per cent of that amount. We noted that in some instances the employers themselves had been designated to determine the amount of wages owing and to effect payment of these amounts. In these



cases the 10 per cent penalty required under subsection 2 had not been levied. We felt that Ministry policy in this respect was in contravention with the legislation. However, in a written opinion, the Director of the Legal Branch of the Ministry disagreed with the position taken by this Office.

With respect to determinations and collections by Ministry staff, we also noted that the penalty of 10 per cent was waived in a number of instances. The Act does not provide for waiver of the penalty.

Some wages determined by employers may remain unclaimed due to the unknown whereabouts of the employees concerned. According to the Ministry's experience, approximately 20 per cent of wages determined by Ministry staff remain unclaimed. These unclaimed wages are held in trust by the Treasurer of Ontario and amounted to \$345,599 at March 31, 1974. Since the Ministry estimates that 90 per cent of determinations are made by employers, substantial amounts of unclaimed wages may be held by employers. The responsibility of the Ministry in regard to unclaimed wages held by employers is not clear.

We recommended that the legislation and the procedures of the Ministry in this area be reviewed, and that changes be made where necessary to ensure that Ministry policies and procedures are consistent with the legislation.

**119. Vacation-With-Pay and Unclaimed Wages Trust Accounts, Ministry of Labour.** The vacation-with-pay trust account is a combination of funds from the sale of vacation-with-pay stamps not yet redeemed and stamps returned to the Ministry but unclaimed. The unclaimed wages trust account, as indicated in the preceding section, consists of moneys collected under The Employment Standards Act for persons whose whereabouts are unknown. These two trust accounts totalled \$2,416,622 and \$345,599, respectively, as at March 31, 1974.

The Ministry's detailed records maintained to verify claims by individuals on the unclaimed stamp and wage accounts are incomplete and do not fully support the balances in these accounts. This situation has resulted from the lack of a clear understanding within the Ministries of Labour and Treasury, Economics and Intergovernmental Affairs over the last number of years as to their respective responsibilities for the accounting control and subsidiary detail and reconciliation. Various elements of the accounting function were transferred back and forth between the two Ministries over these years and resulted in the loss of continuity of transactions and records.

It has now been established that responsibility for detailed accounting records is with the Ministry of Labour. It appears unlikely that a



complete listing could now be compiled to support these accounts, but we feel that some measure of control could be exercised by maintaining formal records of all known details to be updated with all future transactions through the accounts and reconciled to Ministry control records.

**120. Compensation for Wolf Damage to Live Stock, Ministry of Natural Resources.** A separate ledger card is not kept for the transfer payments governed by The Wolf Damage to Live Stock Compensation Act, 1972, so that it was difficult to determine the amount of compensation paid in the 1973-74 fiscal year. An examination of expenditures by Common Object Code provided some of the required information. However, it appeared that these transfer payments were not coded separately which was contrary to the instructions contained in Accounting Policy Statement No. 8 issued by the Ministry of Treasury, Economics and Intergovernmental Affairs. Compensation payments extracted from the Common Object Coding summary of expenditures revealed that in excess of \$50,000 had been spent in this connection while only \$35,000 had been provided therefor in the 1973-74 Estimates.

A limited test of claim forms submitted by applicants for compensation showed some to have incomplete information. The Administration Manual requires the Wildlife Branch to check these forms for completeness and validity of the valuer's and district manager's signatures. We recommended that the Branch ensure that this check is made in future.

Relevant to the foregoing, the Ministry subsequently advised:

"A ledger record has been implemented since April 1, 1974 to cover claims paid under The Wolf Damage to Live Stock Compensation Act, 1972 so that an accurate list of expenditures will be available. Also, such claims are now processed against Common Object Code Account 7212 by Fish and Wildlife Activity on our monthly computer printout report.

In regard to incomplete information on the claims submitted by applicants for compensation, every effort will be extended to ensure that all the details will be fully completed in future.

Although the budget amount in the 1973-74 Estimates was exceeded, it should be noted this was not a designated 'executive control' account. It appeared that there was no necessity to obtain Management Board authority to transfer funds from other accounts in the activity and this view was confirmed by a Management Board representative. Current expenditures for 1974-75 are being monitored and controlled, and should additional funds be required Management Board approval will be requested."

**121. Grants to The St. Clair Parkway Commission, Ministry of Natural Resources.** We noted that some grants are paid to the Commission after relevant expenditures have been incurred, while other grants are paid prior to such expenditures being made. Grants in connection with the construction of the marine park serve as an illustration of the latter. Audited financial statements of the Commission for the year ended December 31, 1973 indicate that disbursements for the marine park to that date amounted to \$660,778 while Ontario Government grants towards such expenditures were \$929,389. The financial statements also showed that funds of over \$200,000 for the use of the marine park were on deposit in a bank account at year end, and that funds on deposit had generated interest earnings of over \$10,000 during the year.

We were uncertain whether the Ministry intended that grant moneys be used by the Commission for investment purposes and, therefore, recommended that a clear policy in this respect be formulated. With regard to this matter the Ministry advised us on October 28, 1974 that:

"Under normal circumstances capital development grants are paid after the funds have been expended, which results in the borrowing of funds by the Commission. In the case of the marine park at Mitchell's Bay, Management Board was specifically requested to advance funds on a cash flow basis. It was anticipated that most of the funds would be taken up, but if not, a reduction was made in the next quarterly payment. Unfortunately, the work was delayed due to heavy rains and high water and earned interest while deposited in the bank. The interest gained is to be used to effect some savings on the project."

**122. Loans Under The Fisheries Loans Act, Ministry of Natural Resources.** This Act came into force in 1970 and the following loan activity has resulted:

	\$
1970-71 .....	432,236
1971-72 .....	320,344
1972-73 .....	145,081
1973-74 .....	503
	<hr/>
	898,164
	<hr/>

No loan repayments had been made as at March 31, 1974. The Ministry's position with regard to the collection of these loans is unchanged from that outlined in section 103 of our 1972-73 Report, namely:

“ . . . The Government intended to lend the fishermen monies until their fisheries became viable again. It is extremely doubtful whether any of the fishermen involved, with only one or two exceptions, would be in a position to make repayment. They do not expect to be called upon to repay unless they are to receive compensation for their losses. It does not now appear that this will happen in the near future. It was initially believed that amounts loaned might be recoverable from the polluters and we are awaiting the outcome of the court case between Ontario and the (Company).

We will continue to explore recovery possibilities.”

**123. Mining Tax, Ministry of Natural Resources.** We commented in our 1972-73 Report (section 100) that one of the major factors in the assessing of mining tax is the amount at which the mine assessor appraises the value of output at the pit's mouth. Prior audit reports to the Ministry, in commenting on the discretionary powers given to the mine assessor in this respect, recommended that certain of the methods used by the mine assessor in arriving at this figure should be incorporated in The Mining Tax Act or the Regulations made thereunder. We were subsequently informed that several drafts of Regulations have been prepared relating to this matter but that they have not yet been finalized. It is suggested that steps be taken to resolve this situation as soon as possible.

During the course of the audit we noted that the 1970 and 1971 mining tax assessments of one mining company amounting to \$3,243,158 have been rejected by the company concerned which refused to make any payment on the taxes assessed. Discussions were being conducted between the solicitors of the company and the Legal Services Branch in an attempt to resolve the issue. Subsequent assessments for this company have been deferred until this matter is settled.

On November 1, 1974 the Ministry commented as follows:

“It is unfortunate that the proposed new regulations of the Mining Tax Act have not been presented for legislative approval. It is a formidable task, however, and at various times, in addition to staff members from our Ministry, it has involved consultation with staff members from the Ministries of Treasury, Economics and Intergovernmental Affairs, and of Revenue.

I have been informed that the proposed regulations will be ready for promulgation by Order-in-Council following submission by the Minister in February 1975, or later, at the option of the Treasurer of Ontario. Also, the Federal Budget will be presented

in mid-November 1974 and will undoubtedly bring fundamental changes in taxation on mineral extraction, and therefore the final form is not precisely predictable at this time."

and

"In the situation where 1970 and 1971 assessments of one mining company amounting to \$3,243,158 were rejected, it concerns the recapture by the Mine Assessor of depreciation on a U.S.-owned mine and processing assets under the provisions of Section 3 (3) (K) of the Mining Tax Act. Discussions between the Legal Services Branch of the Ministry, The Mine Assessor, and Toronto Counsel for the mine are continuing. It may have to be tested in the courts."

**124. Pending Legal Action Against the Crown, Ministry of Natural Resources.** In our prior audit memorandum to the Ministry, we observed that a commercial organization was considering legal action against the Crown to recover estimated losses in excess of \$9,000,000 that were incurred through failure to obtain cutting rights on property rented from the Ministry. No formal action in this respect was taken by the company during the period under review, and we understood from the Ministry officials that the matter was still in abeyance.

Subsequently, on November 1, 1974, we were advised by the Ministry that:

"In regard to the matter of legal action being taken against the Crown to recover estimated losses in excess of \$9,000,000, I am informed a writ was served on the Attorney General on October 28, 1974 and subsequent court action is pending."

**125. Administrative Expenditures, Ministry of Revenue.** The following observations and recommendations were among those arising from the audit of the Ministry's administrative expenditures:

The expenditures of the Ontario Housing Advisory Committee in the period from April 1, 1973 to December 31, 1973 were the responsibility of the Ministry of Revenue. These expenditures, which amounted to over \$44,000 for the period, pertained to salaries, travel expenses, meeting expenses, office expenses and consulting fees. We noted that a director and officer of a consulting firm that received fees of \$11,867 was also a member of the Ontario Housing Advisory Committee.

The review of travel expense claims revealed instances where charges for "hospitality" meals purchased by staff members for other staff members had been paid by the Ministry. The circumstances under which some of these meals were provided did not entitle the claimants



to reimbursement under the rules on travelling expenses shown in the Manual of Administration. We recommended that the Ministry develop standards and guidelines to regulate the cost of meals and hospitality expenses as proposed in the report approved by Management Board of Cabinet in a memorandum dated May 1, 1974.

**126. Advertising Program, Ministry of Transportation and Communications.** One advertising agency was used exclusively during the 1973-74 year to provide a complete advertising program for the Ministry in such areas as the Urban Transit Program, Driver Safety Program and GO Transit. As far as we could ascertain no official contract covering these services was entered into between the agency and the Ministry, and no tendering was made in this respect. The estimated cost of the advertising program was \$765,000, and an amount of \$615,000 has been spent to March 31, 1974. A part of the advertising of the Urban Transit Program included insertions in all of Ontario's daily and weekly newspapers at a cost of \$111,000.

During the past two years a special transit study has been conducted which included consultant fees of \$54,669 and miscellaneous expenditures of \$153,660 incurred in the preparation and showing of a film "A New Way to Go". We understood that no competitive bids were obtained or purchase orders issued by the Ministry in connection with these expenditures.

**127. Fire Losses, Ministry of Transportation and Communications.** Section 30 (1) of The Public Transportation and Highway Improvement Act places the responsibility for maintaining the Provincial highways with the Ministry. Frequent cases occur where Ministry staff or the Ontario Provincial Police call out the municipal fire department to extinguish an automobile fire on the highway. The municipality invoices the Ministry for the call, and in turn the Ministry invoices the car owner or his insurance company for a like amount plus 10 per cent Ministry surcharge. These invoices are not processed through the head office accounts receivable section until payment is received.

According to statistical records maintained in the Insurance and Claims section under the caption "Fire Losses", a total of \$96,390 was paid out and \$41,339 recovered during the year ended March 31, 1974. We noted that in certain cases the debtor had not paid the 10 per cent surcharge and this was ignored when processing the payment through accounts receivable. It is understood that certain debtors are refusing to pay any of the invoiced charges, and that there is uncertainty as to whether the Ministry has the authority to collect these costs, presumably on the premise that no damage has been done to the

highway. We recommend that the legal position of the Ministry in such circumstances be reviewed to ensure that the Ministry would have the authority to recover the cost involved. If it is determined that the Ministry has the authority to recover, these cost billings should be properly recorded in the accounts receivable records.

**128. GO Transit Operations, Ministry of Transportation and Communications.** A number of observations were made as a result of our review of the agreements between the Ministry and various transportation companies. The following were included:

*Sudbury Demonstration Project*

An agreement was made with the City of Sudbury on October 5, 1972, covering the operation of an experimental bus service between certain residential areas in the City of Sudbury and the Copper Cliff area, for a three year period. Under this agreement the Ministry would reimburse the City of Sudbury for any operating deficits. Management Board approval was obtained on the understanding that the loss on operations would not exceed \$50,000 per year. During the period January through November, 1973 the Ministry reimbursed the City of Sudbury in the amount of \$122,543 with respect to the loss on the first year's operations. Although amendments are being made to bus schedules for the ensuing year, it is still expected that the annual loss will exceed \$50,000. We noted also that a clause in the agreement allows for cancellation of the agreement if the monthly revenue is less than 50 per cent of the monthly cost of the Demonstration Project. At the time of audit revenues had failed to reach 50 per cent of the cost.

*GO Dial a Bus*

The GO Dial a Bus commenced operations in Metropolitan Toronto on October 29, 1973 in the York Mills and Armour Heights areas. Due to poor passenger response the operating losses to the end of January 1974 amounted to \$155,410. This loss was exclusive of "Start Up" costs and depreciation on the buses purchased by the Ministry.

*GO Transit Bus Services*

An agreement between the Ministry and a transportation company was made on April 6, 1971 to operate certain bus services between Toronto and outlying areas. This agreement expired on December 31, 1972 and, as at May 31, 1974, a new agreement had not been executed. In the interim the service is being operated under the terms of the expired agreement. Under clause 12 of the agreement, when net profits of the transportation system exceed \$600,000 in either of the calendar years 1971 or 1972, a formula will be determined to allow the Ministry

to participate in any net profits over and above \$600,000. In the year ended December 31, 1972, the excess net profits were \$454,197 and the Ministry has requested a 37½ per cent share in the amount of \$170,325. There appears to be no urgency on the part of the transportation company to effect a settlement or execute a new agreement.

**129. Improper Collection of Fees, Ministry of Transportation and Communications.** Fees payable to the Motor Vehicle Accident Claims Fund (MVACF) on the issue or renewal of a driver's licence are collected by the Registrar of Motor Vehicles and transferred to the Fund at regular intervals. The amount of the fee payable to the Fund is authorized by Regulation made under The Motor Vehicle Accident Claims Act.

In our 1972-73 Report (section 106) we pointed out that, upon the regular three year renewal of a driver's licence, a MVACF fee of \$3 was being collected whereas, in accordance with Ontario Regulation 291/72 effective July 1, 1972, a fee of only \$1 was collectable. We commented further that, although the fee charged subsequent to July 1, 1972 was apparently consistent with the intent of the Ministry, it was not in accordance with the amended Regulation. As a result of the extra \$2 levy, additional moneys were being collected and transferred to the MVACF without legal authority at a rate exceeding \$2 million per year.

On April 8, 1974 the Ministry advised that the situation had been corrected by regulatory amendment. In effect this amendment raised the payable fee to \$3, thereby bringing the collectable fee into line with the fee being collected. However, the amended Regulation was not effective until November 1973. As a result, the extra \$2 levied in the period July 1972 to November 1973 continues to represent moneys collected and transferred to the MVACF without legal authority. The total of such moneys is estimated at in excess of \$3 million.

**130. Purchase of Shares in The Ontario Transportation Development Corporation, Ministry of Transportation and Communications.** This Corporation was established on June 22, 1973 under The Ontario Transportation Development Act, 1973. The objects of the Corporation are defined in section 4 of the Act and include the acquisition, development, operation, manufacture and sale of transit systems related to public transportation in Ontario or elsewhere, alone, or in conjunction with others.

The Corporation is not a Crown agency within the meaning of The Crown Agency Act and is subject to certain provisions under The Business Corporations Act. A portion of the share capital of the



Corporation is to be offered for public subscription with the major portion of the issued and outstanding shares being held at all times by the Province of Ontario.

Approval by Order in Council was given on August 29, 1973 for the expenditure by the Province of Ontario of \$6,000,000 for the purchase of 2,000,000 common shares of the Corporation at a value of \$3.00 per share. On August 30, 1973 the Province advanced the \$6,000,000 to the Corporation; however, the relevant share certificates had not been received as at October 31, 1974.

**131. Bank Accounts for Matured Debentures and Interest Coupons, Ministry of Treasury, Economics and Intergovernmental Affairs.**

Funds held in the various bank accounts used for the redemption of matured debentures and interest coupons of Provincial issues include substantial amounts accumulated over a period of time for debentures and coupons not presented for redemption. An analysis of these accounts revealed that \$3,542,006 was on deposit at November 30, 1973 of which \$1,432,247 pertained to debentures and interest coupons outstanding for one or more years. Most of these accounts are non-interest bearing. We recommended that periodic reviews be made of these bank accounts and that amounts in excess of current requirements be returned to the Consolidated Revenue Fund to be held in trust until claimed.

On May 31, 1974 the Ministry advised:

"At the present time the Treasury Division has undertaken a complete study into the matter of matured debentures and interest coupon bank accounts. Your observations will be taken into consideration during this review."

**132. Federal-Provincial Employment Loans Program, 1971, Ministry of Treasury, Economics and Intergovernmental Affairs.** In our Report for 1972-73 (section 82) we advised that Ontario's share of the moneys made available by the Government of Canada under the Federal-Provincial Employment Loans Program was \$26.5 million, and that the Province had borrowed the full amount of approved Municipal Projects of \$26,466,669 on March 30, 1973. These funds were to be disbursed to municipalities and at March 31, 1973 \$1,724,908 had been so disbursed.

During the fiscal year 1973-74 additional loans amounting to \$18,058,731 were made to municipalities, bringing the total loans disbursed under this Program to \$19,783,639 at March 31, 1974. The repayable principal of these loans was reduced by an aggregate of \$2,540,685 in accordance with the loan forgiveness provisions of the Government of Canada.



A summary of the gross and net loan activity from inception of this Program is as follows:

	<i>Gross Loans</i>	<i>Forgiveness</i>	<i>Repayments</i>	<i>Net Loans Outstanding</i>
	Dr.	Cr.	Cr.	Dr.
	\$	\$	\$	\$
1972-73 Activity:				
Loans.....	1,724,908			1,724,908
1973-74 Activity:				
Loans and related Forgiveness.	18,058,731	2,487,168		15,571,563
Repayments and 1972-73 Loan Forgiveness.....		53,517	471,016	(524,533)
	<u>19,783,639</u>	<u>2,540,685</u>	<u>471,016</u>	<u>16,771,938</u>

Loans are secured by debentures of the municipalities and are repayable over terms of up to twenty years, with interest at the rate of 7 per cent per annum.

During the 1974-75 fiscal year one further loan in the amount of \$118,150 has been made to a municipality. In addition, loan commitments totalling \$93,836 were outstanding at September 30, 1974. The funds borrowed from the Government of Canada exceeded the loans, including outstanding commitments, to municipalities by \$6,471,044. This amount was repayable to the Government of Canada by the Province. We are advised that the final repayment in this respect was made on November 15, 1974.

**133. Payments to Municipalities in Lieu of Taxes, Ministry of Treasury, Economics and Intergovernmental Affairs.** Pursuant to The Municipal Tax Assistance Act, payments in lieu of taxes are made to municipalities in respect of certain Provincial properties. The sources of funds for the purposes of the Act are set forth in section 6 which reads:

"6.—(1) In respect of provincial property owned and occupied by the Crown in right of Ontario, the moneys required for the purposes of this Act are payable out of the moneys appropriated therefor by the Legislature.

(2) In respect of provincial property owned or occupied by a Crown agency, the moneys required for the purposes of this Act are payable out of the funds of the agency."

Our examination of payments made by the Ministry of Treasury, Economics and Intergovernmental Affairs during the period under review revealed that several should have been made by Crown agencies.

Payments totalling \$249,083 were made to the Town of Cobourg in respect of Northam Industrial Park. Since the Park is an Ontario Development Corporation property, the moneys should have been paid out of funds of the Corporation. Similarly, payments totalling \$450,604 were made to the City of Toronto in respect of property owned or occupied by Ontario Place Corporation. A further amount of \$1,695 was paid to the City of Toronto in respect of property owned or occupied by the Alcoholism and Drug Addiction Research Foundation. These payments, which on a fiscal year basis totalled \$488,942 in 1972-73 and \$212,440 in 1973-74, were charged to the wrong appropriations.

On August 1, 1974 the Ministry commented on this matter as follows:

"Some of the Crown Agencies do not wish to become involved in making payments in lieu of taxes, and furthermore, do not have the staff qualified to administer the Act. These Agencies have asked that this Ministry make the payments on their properties, and this has been done.

The Act is being amended to accommodate these arrangements."

**134. Rent Revenue, Ministry of Treasury, Economics and Intergovernmental Affairs.** Rents are obtained from various properties most of which form part of the North Pickering Project. Properties acquired in connection with the North Pickering Project, which were fit for habitation and not immediately required for the planned community in that area, were occupied by the previous owners or leased to new tenants. From the inception of the project to June 30, 1973, the rents derived from these properties were retained by the Ontario Housing Corporation which was responsible for the administration and also paid the acquisition costs.

From inception to June 30, 1973 lease revenue amounted to \$64,332 and operating expenses totalled \$9,202 to which the Ontario Housing Corporation added management fees of \$38,000 for the year ended December 31, 1972 and \$27,000 for the six months ended June 30, 1973. Accordingly, the Ministry of Treasury, Economics and Intergovernmental Affairs paid a sum of \$9,870 to Ontario Housing Corporation since the administration costs together with the management fees exceeded the rental revenue by this amount. Although the propriety of a management fee between government agencies was questioned by an official directly involved in the project, it was agreed after correspondence between officials of the Ministry and the Corporation that the fee was acceptable.

A visit was made to the Site Office of the North Pickering Project to verify the revenue for the period from July 1 to December 31, 1973 after which date income from this source was transferred to the Ministry of Housing. This examination disclosed that arrears of rent as at January 31, 1974 amounted to \$25,412, equivalent to about one month's rental income. These arrears were due to a large extent from tenants in receipt of welfare allowances when the properties were administered by the Ontario Housing Corporation, and since the welfare allowances include an amount for rent, it is believed that arrangements should have been made for that part of the allowance to be paid directly to the appropriate government agency as landlord. It was also found that leases are only now in course of preparation for a number of the rented properties.

The Ministry subsequently advised:

"At the time that this charge of \$9,870 was reviewed the Ministry officials processing the account were informed that the Director of the North Pickering Community Development Project had agreed to reimburse Ontario Housing Corporation the administrative costs that it incurred in connection with its management of the properties. To this end the Corporation maintained a record of the time devoted by its staff to the Project. These costs, less revenues collected, totalled \$9,870.

The Ministry is advised by the Ministry of Housing that action is planned to identify those individuals in arrears of rent who are in receipt of Provincial or Municipal assistance and then determine whether or not arrangements can be made to remit a portion of their allowance directly to the Project."

**135. Revenue under Cost-Sharing Arrangements, Ministry of Treasury, Economics and Intergovernmental Affairs.** During our audit of revenue of the Ministry of Treasury, Economics and Intergovernmental Affairs, the following observations were made with respect to Government of Canada contributions towards the costs of post-secondary education and the Second Language Instruction Program.

*Post-Secondary Education Adjustment Payment*

The Government of Canada has contributed, under an agreement, since 1967 towards the costs of post-secondary education in Ontario. For the fiscal year 1973-74 the rate of contribution was 50 per cent of such costs. An estimate of post-secondary education costs for the 1973-74 fiscal year prepared in February 1973 by the Ministry of Colleges and Universities indicated that these would amount to \$802,877,000, and accordingly, the estimated federal contribution would

total \$401,439,000. The agreement provides that part of these shared costs will be met by an allocation of income tax, 4.357 per cent of personal income tax and 1 per cent of corporation income tax. This allocation of income tax was estimated to produce \$247,802,000 in the 1973-74 fiscal year and the balance of \$153,637,000, due from the Federal Government, was arranged to be paid in four equal monthly instalments of \$12,924,667, and eight equal monthly instalments of \$12,742,291. The amount shown as revenue for the period under review consisted of four monthly payments at the former rate and six equal instalments in the latter amount. The post-secondary education costs recovered in the income tax allocation are reported as revenue of the Ministry of Revenue while those paid in monthly instalments are shown as revenue of the Ministry of Treasury, Economics and Intergovernmental Affairs, neither of which Ministries incur any of the expenditures forming the basis of the claim on the Federal Government.

#### *Second Language Instruction Program*

There is no formal agreement with the Government of Canada regarding the sharing of costs for the Second Language Instruction Program. However, there is an informal arrangement that the Federal Government will make a contribution towards such Provincial expenditures. The Ministries principally involved in this type of program are Education and Colleges and Universities. The expenditures incurred by the former Ministry in this connection are estimated for each calendar year and paid during the year in quarterly instalments, while expenditures by the latter Ministry are claimed at the end of each fiscal year. The estimated expenditures of the Ministry of Education for the 1973 calendar year for the Second Language Instruction Program amounted to \$16,686,080 to be paid in quarterly instalments of \$4,171,520. The relative actual expenditures of the Ministry of Colleges and Universities for the 1972-73 fiscal year were computed to be \$1,763,291. Revenue received by the Ministry of Treasury, Economics and Intergovernmental Affairs for the period from April 1, 1973 to January 31, 1974 consisted of three instalments of \$4,171,520 relating to the Ministry of Education, and a payment of \$1,728,283 towards the 1972-73 claim of the Ministry of Colleges and Universities. The remaining quarterly instalment for the 1973 calendar year expenditures of the Ministry of Education had not been paid at the conclusion of the audit, and an amount of \$35,008 appeared to be owing for the 1972-73 expenditures of the Ministry of Colleges and Universities.

We also found in the course of the audit that certain other expenditures had not been reimbursed to the agreed extent by the Federal Government and as at March 19, 1974 there appeared to be about 3 million dollars covering claims dating back to 1970, due from the Government of Canada.



Discussion with various officials indicated that responsibility for the follow-up and collection of such receivables was not clearly defined. Treasury personnel were of the view that the Ministries incurring the expenditures, namely the Ministry of Education and the Ministry of Colleges and Universities, were primarily responsible for ensuring that the costs shared by the Federal Government were recovered. Since the Ministry of Treasury, Economics and Intergovernmental Affairs receives this revenue, this Ministry is considered the "creditor ministry". Accounting Policy Statement 7 dated January 1974 states that "the creditor ministry has the prime responsibility for pursuing the collection of all amounts owing from other governments."

We believe that better control would be exercised and responsibility more clearly defined if the Ministries incurring such expenditures were to retain as their revenues, the recoveries from the Federal Government. It is understood that this arrangement is under active consideration. Our Report for 1972-73 (section 70) stated in connection with Federal-Provincial Agreements that "In our opinion, a central accounting control should also be established in addition to the central registry", but Treasury officials did not consider the implementation of this recommendation absolutely necessary.

On November 19, 1974 the Ministry commented as follows:

*Post-Secondary Education Adjustment Payment*

"While the Ministry agrees with the comments that neither the Ministry of Revenue nor this ministry incur the expenditures forming the basis of the claim on the Federal Government, a transfer of revenue to the program ministries would not be advisable for the following reasons:

1. The claim is based on the consolidation of expenditures by many ministries and/or agencies of the Province, e.g., Colleges and Universities, Education, Health, Agriculture and Food, Niagara Parks Commission, etc.
2. The agreement formulae are complicated involving Tax and Fiscal Policy Branch estimates of Income Tax and Corporation Tax yields, with monthly instalments being paid to account for the difference in cost and tax yield. It is felt that central control is preferable and permits closer monitoring. In addition, a breakdown of the revenue received would be, at best arbitrary."

*Second Language Instruction Program*

"The final quarterly instalment for the 1973 quarterly calendar year expenditures of the Ministry of Education was paid in March 1974. Prior years adjustment payments are currently being negotiated.

As claims and subsequent reimbursements are readily identifiable as to program ministry, full accounting responsibility was transferred from this ministry to the appropriate ministries on April 1, 1974, i.e Education, Colleges and Universities and the Civil Service Commission.

The detailed accounting for transactions connected with Federal-Provincial programs is a responsibility of each affected program ministry. The prompt and accurate submission of claims, reports, etc., as required under the terms of each agreement together with the necessary detailed recording function must continue to be carried out at the program ministry level. It has been emphasized by this ministry that it will not take over the responsibilities which are basically those of the operating ministries and that it does not intend to duplicate their efforts by detailed bookkeeping or audit check functions.

However, the Ministry recognizes that overall monitoring of this process on a broader basis to ensure that claims and payments are timely is an advisable policy. The Financial Information and Accounting Policy Branch has established and is maintaining the means for accomplishing this. Whenever there are untimely delays in the submission of claims by program ministries or payments are unusually slow there is a follow-up procedure to ensure that corrective action is taken by the appropriate ministry."

**136. Securities Branch, Ministry of Treasury, Economics and Intergovernmental Affairs.** In our 1972-73 Report (section 80) we advised that the transfer of our responsibilities in the securities area was in process. This transfer has since been completed.

Joint custody of relevant securities by the Office of Provincial Auditor was discontinued effective December 31, 1973. As at that date, the Office of Provincial Auditor ceased to participate in this custodial function and sole responsibility for the effective custody and control of securities was assumed by the Ministry of Treasury, Economics and Intergovernmental Affairs. Order in Council 1982/72 required the participation of the Provincial Auditor in the destruction of cancelled or paid interest coupons, debentures or other securities issued or held by the Province of Ontario. An amendment to this Order by Order in Council 272/74 dated January 24, 1974 deleted this requirement. The activities of this Office in this connection will now be limited to an examination of destruction procedures.

On May 31, 1974 the Ministry confirmed the foregoing arrangements:

"As of December 31, 1973 the Securities Branch assumed sole responsibility for the custody and control of all securities on deposit. Officials of the Financial Information and Accounting Policy Branch are presently participating in the Examination and Destruction of matured obligations, replacing the office of the Provincial Auditor in this process. The creation of the position of Securities Control Officer which is now fully operational is providing excellent internal control over the Branch's operations."

**137. Federal-Provincial Agreements.** A continuous review of activities has been carried out relative to claims on the Government of Canada, together with certain other claims arising from legislation, agreements and other arrangements or understandings which result in allocations of revenue to, or provide for recovery of expenditures by, the Province. The following comments are made in connection with these matters.

For the year ended March 31, 1974 this Office advised upon, or returned to the Ministries concerned, various claims on the Government of Canada for corrections in value. The adjustments required to correct these submissions resulted in certain claims being increased by a total of \$410,127, while decreases of \$164,427 were recorded in other claims.

The net accounts receivable of \$59,447,687 arising from Federal-Provincial agreements, are as reported by the Ministries concerned and are included in the memorandum Accounts Receivable statement shown on page 49 of the 1973-74 Public Accounts. Included in this total are claims amounting to over \$8.9 million that were submitted for periods up to March 31, 1973. Order in Council authority was subsequently obtained in the 1974-75 fiscal period to write off balances totalling \$381,154 which were disputed by Canada in claims for the Occupational Training of Adults Program in the 1969-70 and 1970-71 years. Some inconsistencies were noted in the basis adopted by the various Ministries in preparing their accounts receivable submissions at March 31, 1974. We recommend that the Ministry of Treasury, Economics and Intergovernmental Affairs provide positive and detailed direction to the Ministries in this respect for subsequent years.

The following matters should be given consideration in the formulation and management of Federal-Provincial agreements.

1. Standardization of the agreement format.
2. Inclusion of administrative costs as shareable expenses.
3. Provision for interest allowances on the settlement of shareable costs from the earliest due date to the time of payment.



4. Arrangements with the paying agencies for a more precise calculation and prompt transmittal of amounts payable as advances or settlements within the terms of the agreements as well as for the most direct method of transferring the funds.
5. Inclusion as actual cost of Ontario's payments towards employee benefits if these costs are not now acceptable as such by Canada.
6. Review and written approval by senior, responsible officials within each Ministry of all claims submitted for audit certification, and the acceptance, by the Ministry which files the claim for payment, of responsibility for the accuracy of the presentation and for the follow-up of payments.
7. Accumulation of related information for the preparation of claims in the most expeditious manner to enable the claims to be submitted at the earliest possible date.

The requirement of the certification of claims by the Provincial Auditor before submission to the Government of Canada still exists under many of the Federal-Provincial Agreements. Since all other functions of this Office are now performed under a post-audit method of review it would be desirable for the Ministries concerned to assume full administrative responsibility for the final approval of Federal-Provincial claims. The certification requirements by the Provincial Auditor should be phased out as amendments and new agreements are formulated. This Office could then fulfill its responsibilities respecting these claims during the post-audit review of Ministry operations.

**138. Write-Off of Uncollectable Accounts.** Section 14 of The Financial Administration Act reads as follows:

"14.—(1) Where a person has an obligation or debt due to the Crown or the Crown has a claim against a person, the Treasurer may, subject to any other Act affecting such obligation, debt or claim, negotiate and accept a settlement in payment and satisfaction of such obligation, debt or claim, or may determine that any such obligation, debt or claim is uncollectable.

(2) The Lieutenant Governor in Council, on the recommendation of the Treasurer, may, if he considers it in the public interest, delete from the accounts any loss incurred in any settlement or determination made under subsection 1. . . .

(3) The losses deleted from the accounts during any fiscal year shall be reported in the Public Accounts for that year. . . ."

Losses totalling \$10,355,746 deleted from the accounts for the fiscal year 1973-74 are shown by Ministry on page 48 of Volume 1 of the



Public Accounts. This write-off represents an increase of \$5,082,529 over that of the preceding year. Two Orders in Council, one with respect to the Motor Vehicle Accident Claims Fund and the other with respect to a claim on the Government of Canada, accounted for \$8,177,357 of the total losses deleted for the year.

In section 84 of our 1972-73 Report, we pointed out that the Motor Vehicle Accident Claim Fund was experiencing difficulty in their collection of accounts receivable and recommended a more positive collection policy. A review of the accounts receivable files by the staff of the Ministry of Consumer and Commercial Relations resulted in the write-off of accounts totalling \$5,041,134 which were considered to be uncollectable.

Reference was made in our Report for 1972-73 (section 70) that, as a result of a ruling by Canada on the method of allocating shared costs, the Ministry of Colleges and Universities was seeking the necessary approval to forego collection of approximately \$3 million for 1969-70 training costs previously presented as claims under the Occupational Training of Adults Program. The amount approved and subsequently written off during the year was \$3,136,223.

**139. Teachers' Superannuation Fund.** During the year the Province contributed \$60,873,376 to the Fund in accordance with sections 22 and 23 of The Teachers' Superannuation Act. In addition, a payment of \$30,137,600 was made with respect to the unfunded liability of the Fund. These amounts are reflected as expenditures of the Ministry of Education in Volume 1 of the Public Accounts for 1973-74 on page 361.

The actuarial report dated September 28, 1971, together with subsequent actuarial correspondence dated November 30, 1971, indicated a deficit or unfunded liability in the Fund of approximately \$282,000,000 at December 31, 1969. This situation is unchanged from that reported in our 1971-72 Report (section 163) and our 1972-73 Report (section 123). No actuarial report on the next valuation of the Fund, required as at December 31, 1972, had been received at the time of preparation of this Report.

## COMMENTS ON CROWN AGENCY TRANSACTIONS

**140. Introduction.** The term Crown Agency for purposes of this Report includes Boards, Commissions, Crown Corporations and other operations which are audited by the Provincial Auditor on an annual basis. As indicated in section 1, in most cases our audit responsibility is stipulated in the legislation under which the particular agency was established. A listing of the Agencies audited by the Provincial Auditor during the year ended March 31, 1974 is included as Exhibit 6 to this Report.

**141. Inactive Agencies.** Five agencies for which the Provincial Auditor has audit responsibility were inactive during 1973-74. One of these Agencies, the Eastern Ontario Development Corporation, was established in December 1973 but did not become operational until after March 31, 1974. (For further comment see section 142). The situations with respect to the other Agencies were as follows:

ONTARIO DEPOSIT INSURANCE CORPORATION—established in 1967 under The Ontario Deposit Insurance Corporation Act for the purpose of providing deposit insurance to persons having money deposited with a registered loan corporation or trust company. We are advised that the Corporation has not maintained accounts or processed financial transactions, and has been inactive from its date of inception through March 31, 1974.

HEALTH INSURANCE REGISTRATION BOARD—established in 1967 under The Health Insurance Registration Board Act for the purpose of determining and administering the entitlement of persons for insured hospital and health services. Effective April 1, 1972 the Minister of Health was appointed as successor to the Health Insurance Registration Board under The Health Insurance Act, 1972. We are advised that the Board has not maintained accounts or processed financial transactions since April 1, 1972, and that it effectively ceased to function as at that date.

THE SHERIDAN PARK CORPORATION—established in 1964 under The Sheridan Park Corporation Act in order to acquire, and develop specified lands for research purposes, and to establish a centralized research complex. The affairs of the Corporation were wound up during the year ended March 31, 1971. Since that time the Corporation has not maintained accounts nor processed financial transactions.

THE ONTARIO TELEPHONE DEVELOPMENT CORPORATION—established in 1955 under The Ontario Telephone Development Corporation Act for the purpose of improving telephone systems in Ontario. The affairs of

the Corporation were wound up effective December 31, 1963, and since that time the Corporation has not maintained books and accounts.

With regard to these four agencies, we wrote to the responsible Ministers recommending that the relevant legislation be reviewed, and that the agencies be formally dissolved. Replies were received from the Ministries concerned with respect to the Ontario Deposit Insurance Corporation, The Sheridan Park Corporation and The Ontario Telephone Development Corporation. In each instance we were advised that the legislation in question either was, or would soon be, under review.

**142. Newly Established Agencies.** The Provincial Auditor is responsible for the audit of two new Agencies established during the 1973-74 fiscal year, The McMichael Canadian Collection effective April 2, 1973 and the Eastern Ontario Development Corporation effective December 5, 1973.

The McMichael Canadian Collection was established as a corporation and is to preserve and maintain the art works and objects held by the Corporation for exhibition and display. The McMichael Canadian Collection began as a private collection of Canadian art which was donated to the Crown in November 1965 by agreement with the Province of Ontario. Prior to the establishment of the Corporation, the collection was administered by The Metropolitan Toronto and Regional Conservation Authority. An audit of The McMichael Canadian Collection was completed for the period ended March 31, 1974.

The Eastern Ontario Development Corporation is to encourage and assist in the development and diversification of industry in Eastern Ontario. As indicated in the preceding section, the Corporation was effectively inactive from the date of inception through March 31, 1974.

**143. Workmen's Compensation Board.** During the 1973-74 fiscal year amendments to The Workmen's Compensation Act were enacted. Included was the provision that effective March 15, 1974, "The accounts of the Board shall be audited by the Provincial Auditor or under his direction by an auditor appointed by the Lieutenant Governor in Council. . . .".

Previously the legislation provided that "The accounts of the Board shall be audited by the Provincial Auditor or by an auditor appointed by the Lieutenant Governor in Council . . .". In the past the audit has been conducted by an auditor appointed by the Lieutenant Governor and the Provincial Auditor has not been involved in any way. The appointment of the outside auditor has been continued but, as a result of the change in legislation, the audit will now be subject to the



direction of the Provincial Auditor. Our involvement in the audit is consistent with the recommendation made by the Committee on Government Productivity in its report of March 1973:

“Where outside auditors are appointed by government enterprises, the auditors report to the Provincial Auditor as well as to the enterprise by which they are hired.”

**144. Wording of Audit Provision in Agency Legislation.** Should steps be taken to amend or develop legislation so as to involve the Provincial Auditor with Agencies audited by other auditors, the wording of the applicable audit provision should be carefully considered. If the audit is to be “under the direction” of the Provincial Auditor, as is now the case with the Workmen’s Compensation Board, then the Provincial Auditor is responsible for determining the nature and scope of the audit to be conducted, and would be able to report to the Legislative Assembly accordingly. If, however, the legislation provides merely that the Provincial Auditor have access to the auditors’ report and working papers, as is the case with The Toronto Area Transit Operating Authority established June 28, 1974, then the Provincial Auditor would not have any authority to influence the nature and scope of the audit. His report to the Legislative Assembly would then only be relative to the nature and the scope of the audit undertaken by the appointed auditors.

**145. Method of Audit Reporting.** A report was prepared on each Crown Agency audit performed during the year and was submitted to the Agency involved and to the responsible Minister. Observations and comments were made on matters noted during the audits, including recommendations for improvement in internal controls and in the general efficiency of the accounting process.

Matters raised which, in our judgment, are of interest or significance to the Legislative Assembly are included in subsequent sections of this Report. Relative views and opinions expressed in replies received from the Agencies have been included for information purposes without further comment by this Office, but will be reviewed during subsequent audits of the respective Agencies.

**146. Suggested Corrective Action and Other Recommendations Contained in 1972-73 Provincial Auditor’s Report:** Unless otherwise indicated in subsequent sections of this Report, we were satisfied during the course of our 1973-74 audits that appropriate steps had been taken by the Agencies concerned with regard to the findings previously disclosed.



**147. Commissioner of Agricultural Loans.** The Commissioner of Agricultural Loans was appointed pursuant to a 1925 amendment to The Agricultural Development Act. It was the function of the Commissioner to promote agricultural development by the granting of loans and by other means. No loans had been granted by the Commissioner since 1948. Loan repayments continued to be processed but in recent years loans receivable balances and financial activity have been nominal. As at June 30, 1973, loans receivable totalled \$1,972.

The office of the Commissioner of Agricultural Loans was effectively terminated by The Agricultural Development Repeal Act, 1973 which came into force on July 1, 1973. The assets and liabilities of the Commissioner as at June 30, 1973 were recorded in the accounts of the Ministry of Treasury, Economics and Intergovernmental Affairs.

**148. The Fund for Milk and Cream Producers.** As at March 31, 1974, the balance in The Fund for Milk and Cream Producers amounted to \$129,554. For the 1973-74 fiscal year receipts and disbursements totalled \$684,514 and \$788,851 respectively.

The Fund was established in 1967 pursuant to The Farm Products Payments Act in order to protect the milk and cream producers against loss through default in payment by a dealer. The Milk Commission of Ontario administers the Fund. The Regulations under the Act make provision for the payment of fees by dealers to the Commission for credit to the Fund. However, payment of fees has been suspended for the period June 1, 1971 through May 31, 1974 by regulatory amendment. The balance at the credit of the Fund is held by the Treasurer of Ontario. Interest is earned on this balance at the same rate as that allowed by The Province of Ontario Savings Office. During the 1973-74 fiscal year this rate ranged from 5 per cent to 7¼ per cent per annum.

During the 1973-74 fiscal year claim payments amounted to \$787,576, virtually all of which was with respect to default by one dealer. A total of \$590,200 was recovered from this dealer during the same period.

Amounts totalling \$9,058 were written off in 1973-74 as unrecoverable since the debtors involved were deceased. This was the first such write-off since the inception of the Fund. After giving effect to this action, the unrecovered portion of claims paid out of the Fund totalled \$216,651 as at March 31, 1974. Of this amount approximately \$193,000 is recoverable from the above-mentioned dealer. A further amount of some \$23,000 represents the balance unrecovered from a dealer on whose behalf claims were paid in 1968. During 1973-74

recovery on this account was in the amount of \$50 per month. At this nominal rate of recovery full realization of the balance outstanding is extremely doubtful.

**149. Housing Corporation Limited.** As at December 31, 1973 the assets of the Corporation totalled \$230,692,367 with offsetting liabilities of \$229,231,653 and shareholders' equity of \$1,460,714. For the 1973 calendar year, revenue and expenses amounted to \$18,331,743 and \$17,956,171 respectively. The financial statements of the Corporation are reproduced in Volume 2 of the 1973-74 Public Accounts.

Our examination of year-end cash cut-off procedures revealed that cheques amounting to \$60,751 were held at December 31, 1973, but were not deposited until January 14, 1974. We recommend that cheques be deposited on the day they are received or, in the case of post-dated cheques, on the day they fall due. The prompt depositing of funds would improve internal control in this area. We have been advised that management is currently making every effort to correct this situation.

As part of our examination, a number of mortgages receivable were confirmed directly with the mortgagors. As a result of such confirmation, the following weaknesses were noted:

1. In many instances single payments received in one month were not processed until the following month.
2. In some cases errors were made in the accounting records when the mortgages were originally set up; e.g. names misspelled, wrong addresses. Additionally, mortgage files were not always kept up-to-date with regard to the name of the current mortgagor, or the address of the mortgagor, in cases where the mortgaged property was being leased to a tenant.

We recommend that efforts be made to process mortgage receipts more promptly. Further, greater care should be taken to ensure accuracy when mortgages are originally set up, and to maintain information regarding the location of mortgagors on an up-to-date basis.

During our examination, it was noted that the Corporation is not obtaining all the interest income to which it is entitled, since it is not the policy of the Corporation to make any interest charges on late payments. Nevertheless, we believe serious consideration should be given to the billing of interest charges if payments are not received within a reasonable period following their due date. These billings would not

have to be made within the framework of the existing system. Separate invoices could be prepared and sent to the delinquent mortgagors. We believe that such a system could have a beneficial effect on the collection of monthly payments.

With regard to the foregoing the Corporation has responded as follows:

“Control over cash receipts and mortgage portfolio input/output procedures has been of concern to us during the past year. The rapid growth of the Corporation’s mortgage portfolio has placed a great strain upon available manpower resources. During the latter half of 1973 accounting personnel from Ontario Housing Corporation’s Finance Branch were seconded to Housing Corporation Limited to work on critical areas and to bring all areas of accountability under better control. Early in 1974 a financial oriented Assistant General Manager’s position was established. In addition, a Chief Accountant’s position to assume overall accounting responsibility, a Financial Co-ordinator’s position to control cash receipts, and three Financial Analyst positions to develop and implement control procedures, were also established. We are confident that this increased financial capability will provide the strength that was lacking during 1973.

To date the interest collection policy of Housing Corporation Limited has not included a provision for interest charges on late payments. Your suggestion that consideration be given to the billing of penalty interest if payments are not received within a reasonable period following due dates, will be referred to the Corporation’s seven member Board of Directors upon its establishment. An interest penalty policy will be formulated at that time.”

**150. Legal Aid Fund.** As at March 31, 1974 the balance in the Fund amounted to \$24,685. For the 1973-74 fiscal year receipts and disbursements totalled \$14,225,342 and \$14,206,525 respectively. The former figure included \$12,937,300 appropriated by the Legislature for payment into the Fund.

The following is a comparative summary of accounts receivable from clients and amounts receivable re judgments:

	<i>Accounts Receivable Clients</i>		<i>Amounts Receivable Judgments</i>	
	March 31		March 31	
	1974	1973	1974	1973
Balance, beginning of year . . . .	\$1,736,093	\$1,651,433	\$4,395,263	\$3,616,647
Add: new accounts and amounts	865,073	598,584	1,067,195	1,237,012
	<u>\$2,601,166</u>	<u>\$2,250,017</u>	<u>\$5,462,458</u>	<u>\$4,853,659</u>
Less: receipts for the year . . . .	\$ 630,913	\$ 490,541	\$ 656,428	\$ 424,488
approved write-offs . . . . .	34,579	23,383	135,287	33,908
	<u>\$ 665,492</u>	<u>\$ 513,924</u>	<u>\$ 791,715</u>	<u>\$ 458,396</u>
Balance, end of year (including credit balances) . . . . .	<u>\$1,935,674</u>	<u>\$1,736,093</u>	<u>\$4,670,743</u>	<u>\$4,395,263</u>
Receipts as a percentage of new accounts and amounts . . . . .	<u>72.9</u>	<u>81.9</u>	<u>61.5</u>	<u>34.3</u>

As was the case last year, collections are higher, although they are still not keeping pace with new accounts and amounts being set up, with the result that outstanding balances continued to rise.

However, it should be noted that an ongoing program is being maintained to improve the position of the accounts and amounts receivable. The volume of accounts referred to the Fund's collection agency has continued to increase, accounting for the rise in tracing and collection costs from \$35,692 to \$108,886. Consistent therewith, the value of uncollectable accounts written off during the current year has also increased, since it is the policy of the Fund to commence write-off action when an account has remained dormant for a period of six months after referral to the collection agency.

Additionally, solicitors are continuing to seek approval for the prior waiving of costs in divorce cases where the financial circumstances of the respondent do not warrant the awarding of costs. This action reduces the possibility of setting up judgments for costs which are extremely doubtful as to collectability from the outset.

**151. The Legislative Assembly Retirement Allowances Account.** As at March 31, 1974 the balance in the Account amounted to \$1,754,525. For the 1973-74 fiscal year receipts and disbursements totalled \$347,196 and \$233,834 respectively.

As indicated in our 1972-73 Report (section 129), this Account is not considered a pension plan as defined under The Pension Benefits Act. It is, therefore, not subject to the reporting requirements relative to financial soundness, or to the funding stipulations, outlined in the



Regulations under The Pension Benefits Act. However, the Account possesses the essential elements of a pension plan. Consequently, it is felt that the financial soundness of the Account should be reviewed periodically, and that steps should be taken to liquidate any unfunded liabilities so disclosed.

In the course of audit it was noted that an actuarial valuation of the Account was made as at March 31, 1973. This valuation revealed an unfunded liability, or deficiency, in excess of \$4,851,000. No steps have as yet been taken to stabilize or liquidate this deficiency.

**152. Northern Ontario Development Corporation.** As at March 31, 1974 the balance sheet of the Corporation reflected assets and liabilities, each in the amount of \$10,119,580. The assets included a deficit of \$452,966. For the 1973-74 fiscal year income and expense, as shown in the Corporation's related financial statement, totalled \$328,576 and \$548,387 respectively. The financial statements of the Corporation are reproduced in Volume 2 of 1973-74 Public Accounts.

The Northern Ontario Development Corporation Act established the Northern Ontario Development Corporation as a corporation without share capital. The corporation was continued under the terms of The Development Corporations Act, 1973, which was proclaimed on December 5, 1973.

In respect of loans made by Northern Ontario Development Corporation, section 12 (3) of The Development Corporations Act, 1973, stipulates that "the Ontario Development Corporation shall be deemed to be the creditor". By involving Ontario Development Corporation in this way, section 12 (3) has served to complicate the administration and financial statement presentation of the loan disbursement activity undertaken by Northern Ontario Development Corporation. A similar situation existed under previously applicable legislation and was commented upon in our 1972-73 Report (section 131).

During the period from May, 1972 to December, 1973 term loans amounting to \$550,000 were advanced to Minaki Lodge Resort Ltd. by Ontario Development Corporation. These loans, which were approved by Orders in Council, were subject to interest at the rate of 8 per cent per annum. Such loans were made to assist the company in winterizing and improving its facilities and to provide the company with working capital.

On January 9, 1974, Order in Council 105/74 was passed, authorizing the Province of Ontario, through the Northern Ontario Development Corporation, to "acquire ownership of Minaki Lodge Resort Ltd. and discharge all of its liabilities, improve and operate Minaki Lodge

Resort Ltd. and do all such other things as may be deemed expedient and necessarily incidental thereto". This Order in Council further authorized the Province of Ontario to provide the Northern Ontario Development Corporation with a sum not exceeding \$5,000,000 for the above purposes. Relevant disbursements by the Corporation as at March 31, 1974 totalled \$1,701,110. This amount, which is not subject to interest, is included in the balance sheet as part of the amount "Due from Ontario Development Corporation re loans administered for Northern Ontario Development Corporation." Part of the \$1,701,110 consisted of a payment of \$594,496 to Ontario Development Corporation to reimburse that Corporation, with interest, for the previously referenced loans made to Minaki Lodge Resort Ltd. during the period May, 1972 to December, 1973.

Additionally, in accordance with Order in Council 105/74, ownership of the share capital of Minaki Lodge Resort Ltd. was transferred to Northern Ontario Development Corporation. It is recommended that consideration be given to disclosing this investment as a separate item on the balance sheet.

Minaki Lodge Resort Ltd. is operated on behalf of Northern Ontario Development Corporation by a board of seven directors. In addition, the former president and chief shareholder, who was at one time a director of Northern Ontario Development Corporation, was retained as a consultant in the business development area and the promotion of Minaki Lodge.

**153. The Ontario Educational Communications Authority.** As at March 31, 1974, the assets of the Authority totalled \$4,899,249 with offsetting liabilities of \$1,961,534 and equity of \$2,937,715. For the 1973-74 fiscal year revenue and operating expense totalled \$13,869,701 and \$13,233,995 respectively. The former figure included grants from the Province of Ontario aggregating \$13,681,760.

During our audit covering the 1973-74 fiscal year, a review was made of production costs for the African Studies project. We noted that the costs incurred were substantially in excess of the original amount budgeted for this project. The original budget, covering the cost of 48 units, was \$329,782; total costs incurred to June 30, 1974 approximated \$415,490.

Although a major reason for the increased costs related to a decision to increase the footage and units that were originally budgeted for, this decision was not formally approved until July 2, 1974. At that time, a revised budget covering the cost of 67 units and totalling \$565,828, received final approval.

A detailed report covering a cost review of this project was submitted by the Authority's internal auditor on May 10, 1974. This report, with which we agree, expressed concern over unrealistic budgeting and failure to obtain timely approval for increased costs. An additional report, outlining the cost variances and containing recommendations for project budget controls, was prepared by the superintendent of the Authority's Educational Media Division.

We believe that the following recommendations would strengthen existing procedures and related controls over project costs.

1. Project cost estimates should provide management with the project's financial risks, together with the chances of achieving the forecast. This could be done by preparing project cost estimates in three ranges of values for all of the cost factors therein, together with the likelihood of occurrence of each value. An example would be:

Most pessimistic.....30% chance

Average.....60% chance

Most optimistic.....10% chance

It would appear that the original budget for the African Studies project was forecast from most optimistic estimates. Had risk analysis such as the above been used, management would no doubt have been in a better position to decide whether such a program should have been undertaken.

2. For all projects, steps should be taken to ensure that unfavourable budget variances, in excess of a suitable designated and published percentage automatically trigger investigation and re-approval at the general manager level. This will ensure uniform application of policy to every project, regardless of size.

At the conclusion of our field work in this area, expense claims pertaining to this project and amounting to approximately \$90,000, had neither been reviewed nor given final approval. We recommended that immediate action be taken in this regard.

Concerning the foregoing comments, on October 25, 1974 the Authority replied as follows:

"Your report on Africa contained some interesting suggestions on program production budgeting which are currently under evaluation. You should know that we are implementing an Integrated Management Planning and Control System designed to improve our planning and control processes. This should enable better assess-



ment of program production alternatives. As well, we have in existence procedures to alert management to budget overruns as soon as data indicates unfavourable variances.

Expense accounts relating to the production in Africa have now been cleared. The claims totalling \$90,000, covered six months living and travel expenses during production in Africa involving sixteen staff and freelance personnel."

**154. Ontario Housing Corporation.** The assets of the Corporation totalled \$1,094,547,116 as at December 31, 1973. Liabilities totalled a like amount. For the 1973 calendar year revenue amounted to \$13,758,790 while the loss on housing operations and other expenses totalled \$27,918,288 and \$16,430,770 respectively. The financial statements of the Corporation are reproduced in Volume 2 of the 1973-74 Public Accounts.

The Corporation is divided into three divisions, Corporate Administration, Rental Housing and Home Ownership. These divisions serve not only Ontario Housing Corporation but Ontario Student Housing Corporation and Housing Corporation Limited as well.

Comments and recommendations resulting from our audit included the following:

#### *Rental Housing Division*

Section 4 (2) (a) of a master Agreement with Central Mortgage and Housing Corporation covers the area of tenants' income verification by stating, "The Ontario Corporation shall take steps to verify the income of the individual or family from time to time but not less frequently than once every twelve (12) months in such manner as the Ontario Corporation may decide . . .".

In last year's Report (section 134) we noted that the Corporation's internal audit staff had found that information concerning tenants' income was frequently not up-to-date. Again in 1973, a review of internal audit reports covering both Metropolitan Toronto and Provincial offices, as well as our own limited examination, revealed a continuing general weakness in this area. We therefore recommended that a concerted effort be made to ensure that tenants' incomes are verified on an annual basis, taking into consideration the potential loss in rental revenue if this procedure is not adhered to. We noted that area managers were placed throughout the province during 1973 and district accounting representatives were placed in the ten Metro offices early in 1974. As part of their regular duties, they are undertaking test reviews of annual income verifications.



A control weakness is evident in the handling of N.S.F. cheques, which pertain to Metropolitan Toronto Housing Projects. This weakness relates to ensuring that all such cheques charged to the Corporation by the bank are, in fact, being charged back to the tenants' accounts. The situation was described in our previous year's audit report, to the Corporation. Our 1973 interim examination indicated that minimal improvement had been made, and accordingly a memorandum was written to management on November 30, 1973.

Our year-end examination of this area was completed in the latter part of March, 1974. At that time, summaries of unprocessed N.S.F. cheques were completed up to November 30, 1973, but were out of balance with related bank reconciliations. Additionally, these summaries revealed approximately \$7,800 of N.S.F. cheques pertaining to the portion of 1973 prior to November 1, which had not been charged to tenants' accounts, as well as approximately \$4,400 of similar items pertaining to 1972. The summaries also revealed certain items that were processed by the Metro districts as N.S.F. charges, but were not charged as such by the bank. In addition, many items appearing on the summaries were not identified, as to either account number or name. Other items reflected only partial identification.

Immediate action should be taken to correct the deficiencies noted and we are advised the Corporation has undertaken to do so.

An audit of the rent supplement program was undertaken and involved a disproportionate amount of time. This was the result of a decision made by management in mid-1973 to revise the existing series of general ledger account numbers, due to a marked increase in activity. In our opinion, there was a general absence of proper planning and follow-up action pertaining to this revision. As a result, numerous incorrect posting and coding errors were made which were not completely rectified until the latter part of April, 1974.

We were advised that the complete accounting system for this program was currently being changed, which should generate improved results. With the adoption of the new system, adequate follow-up and balancing procedures should be undertaken on a monthly basis.

In last year's Report we also noted that in response to our concern regarding lack of control over maintenance equipment and appliances located in various rental housing projects, new procedures had been developed relative to the custody and recording of assets and consumable stores. These procedures were to become operational in the spring of 1973. However, due to a number of problems encountered, such procedures were not effectively implemented. These problems included the lack of clear instructions for the taking of

physical inventories, unduly complicated procedures, failure to fix responsibilities in certain areas, and the lack of staff training sessions for familiarization purposes. A concerted effort was made by the Corporation to develop new procedures. These procedures, which also provide for controls over office equipment, were completed in March, 1974. Since the actual implementation of these procedures was planned for late spring, assessment of their effectiveness will be made during our 1974 audit.

#### *Home Ownership Division*

A reconciliation by the Corporation's staff of the general ledger control account with subsidiary records for leasehold rents receivable as at December 31, 1973, indicated that the general ledger balance was apparently understated by \$29,419. Adjustments will be made after completion of further investigation.

An internal audit report issued in July, 1973 pointed out that the present computerized system for leases is unnecessarily complicated, and fails to produce prompt, up-to-date and reliable information for collection and other management purposes. This point was borne out by our own confirmation of account balances as at December 31, 1973. The internal audit report also dealt with weak input controls. During our audit, we noted that these controls had been strengthened to a certain extent. We were also advised that the Corporation had a target date of September, 1974 for the development of a new computerized lease system.

Our examination of year-end cash cut-off procedures revealed that cheques amounting to \$81,557 were held at December 31, 1973, with subsequent deposit ranging from January 4, to January 17, 1974. To improve internal control, we recommended that cheques be deposited on the day they are received or, in the case of post-dated cheques, on the day they fall due. We have been advised that management is currently making every effort to deposit on a current basis.

#### **155. The Ontario Junior Farmer Establishment Loan Corporation.**

The assets and liabilities of the Corporation each totalled \$85,290,360 as at March 31, 1974. For the year ended on that date revenue and expenditure amounted to \$4,236,517 and \$6,703,578 respectively. The financial statements of the Corporation are reproduced in Volume 2 of the 1973-74 Public Accounts.

The Ontario Junior Farmer Establishment Loan Corporation was constituted in 1952 for such purposes as the making of loans to young qualified farmers for the establishment, development and operation of their farms. All loans are secured by a first mortgage on applicable

lands. The records of the Corporation indicate that the last loan application was accepted in 1969, and that the final instalment of principal and interest on outstanding mortgage loans will be repayable in 1999.

Capital advances have been made to the Corporation by the Treasurer of Ontario. Pursuant to Order in Council, interest is payable on these advances at the same rate as charged by chartered banks on contemporary overdrafts created by the Treasurer of Ontario. In a period of generally increasing interest rates, this rate rose from 6 per cent on April 1, 1973 to 9½ per cent on March 31, 1974, averaging approximately 7.6 per cent throughout the year. Interest earned by the Corporation on its mortgage loans is fixed by legislation and averages approximately 5 per cent per annum. This interest differential is the primary reason the Corporation's expenditure exceeded revenue by \$2,467,061 for the 1973-74 fiscal year. The excess of expenditure over revenue is absorbed by the Ministry of Agriculture and Food out of moneys appropriated by the Legislature for agricultural rehabilitation and development.

**156. Ontario Northland Transportation Commission.** As at December 31, 1973, the assets of the Commission totalled \$118,815,597, offset by liabilities and reserves of \$88,791,012 and retained income of \$30,024,585. For the 1973 calendar year revenue and expense amounted to \$32,666,836 and \$33,149,077 respectively. The financial statements of the Commission are reproduced in Volume 2 of the 1973-74 Public Accounts.

During the spring of 1974, the Standing Committee on Public Accounts conducted an extensive review of the operations of the Ontario Northland Transportation Commission. To assist in this review, the Committee requested in a report to the Legislative Assembly on April 9, 1974 that it be provided with a copy of the Provincial Auditor's report on the Ontario Northland Transportation Commission for the year ended December 31, 1973, concurrently with copies of the same being provided to the Commission and to the Ministry of Transportation and Communications. In accordance with this request a copy of the referenced report was made available to the Committee on May 14, 1974. This report reads as follows:

"In accordance with section 39 of The Ontario Northland Transportation Commission Act, the books, records and accounts of the Commission have been audited for the year ended December 31, 1973.

#### *Establishment of the Commission*

The Temiskaming and Northern Ontario Railway Act was passed in 1902. The purpose of the legislation was to bring northern areas



of the Province into communication with existing railway lines by the construction and operation of a railway from a point at or near North Bay to a point at or near Lake Temiskaming. The Act established The Temiskaming and Northern Ontario Railway Commission as a corporate body.

By legislative amendment effective April 9, 1946, the above-referenced Act and Commission were re-designated 'The Ontario Northland Transportation Commission Act' and the 'Ontario Northland Transportation Commission' respectively.

### *Extension of Facilities*

In accordance with the powers granted under the Act, the Commission extended the northern terminal of the railway to Moosonee on James Bay, and acquired as a wholly-owned subsidiary the Nipissing Central Railway Company.

The Commission also constructed and operates telephone and telegraph lines, and acquired wholly-owned subsidiaries providing trucking and ferry service. In addition, the Commission purchased other facilities including bus lines, boat line, and tourist accommodation.

### *Appointment and Remuneration of Commissioners*

The Ontario Northland Transportation Commission is to be composed of one or more persons appointed by the Lieutenant Governor in Council. As at December 31, 1973 the Commission was composed of eight members.

Members of the Commission are paid an annual salary as authorized by the Lieutenant Governor in Council. As at December 31, 1973 all members were being paid at the rate of \$3,000 per annum. The chairman and vice-chairman were being paid additional salary at the annual rate of \$4,000 and \$2,000 respectively.

### *Method of Financing*

Capital financing from the inception of the Commission until 1924 was provided by funds advanced by the Province of Ontario. These advances, totalling \$30,207,935, remained outstanding as at December 31, 1973 and are non-interest bearing.

Additional financing has been provided as required by way of bonds, since retired, and interest bearing demand loans from chartered banks and from the Province of Ontario.

The Commission generates substantial revenues from its various operations. Tolls and fares for such operations are established by regulation of the Commission. Prior to 1936 most of the Commission's profits were paid to the Province of Ontario. Amounts so paid totalled



in excess of \$15,000,000. Commencing in 1936 all profits have been retained and re-invested by the Commission. The aggregate total of such profits is reflected in the balance sheet under the caption 'Retained Income'.

## DEVELOPMENTS IN 1973

### *Operational Review*

In last year's report we pointed out that the Commission was considering the application of internal auditing on a broad basis, with all facets of the Commission's operation ultimately benefitting from ongoing appraisal of this nature. In this connection the Commission requested in 1973 that the Audit Branch of the Ministry of Transportation and Communications undertake an extensive examination of major Commission functions. This task was initiated immediately following a similar undertaking at Star Transfer Limited, and required some five months to complete.

The Audit Branch of the Ministry prepared a report detailing its findings and outlining numerous recommendations for improved procedures and controls. This report was reviewed with Commission management in December, 1973. We are advised that management disagreed with many of the views expressed by the Audit Branch of the Ministry. However, we understand that they did accept some recommendations for implementation and others for further study as to their feasibility. Our own audit for the year ended December 31, 1973 confirmed several of the findings and recommendations made by the Audit Branch of the Ministry. Those with respect to cheque signing control, travelling expenses, and physical inventory taking are referenced in subsequent sections of this report.

Audits undertaken by the Provincial Auditor are financially oriented, and are primarily concerned with accounting accuracy and compliance. Internal audits, on the other hand, are operationally oriented, and become involved with operating economy and efficiency. By its nature, therefore, internal auditing is more in depth and extensive than financial auditing, and requires a much greater commitment of audit resources.

The internal auditing function could be performed by the Audit Branch of the Ministry, as was done in 1973, or by a resident internal audit staff established by the Commission. In determining long-term policy in this regard, the relative merits of the two approaches should be carefully assessed. In any event, effective internal auditing is an important element of internal control, and we are convinced of its value, particularly in operations of the size and diversity of the Ontario Northland Transportation Commission.

### *Organizational Review*

During the year the Commission also engaged the services of a consultant to review the organizational structure of the Commission. The review was completed and a detailed proposal submitted, a main feature of which was the restructuring of the organization into four divisions—Corporate Services; Marketing, Rail and Transport Operations; Telecommunications, Air, Marine and Bus Operations; Financial and Purchasing Services. The proposal was approved by the Commission at its meeting of October 3, 1973 and implementation was immediately initiated.

### *Purchase of Bus Franchise*

Under an agreement dated March 16, 1973 the Commission purchased the operating rights to bus services between Sault Ste. Marie and Wawa from Steel City Coach Lines Limited for the price of \$117,500. Legal expenses and other costs increased the total outlay by the Commission to \$122,328.

Assets purchased included a 41 passenger coach which was valued at \$30,000. For balance sheet purposes this amount is included in the 'equipment—rail and highway' asset total. The balance of the Commission's purchase costs, \$92,328, is included in the 'bus franchises' asset total.

### *Investment in The Owen Sound Transportation Company Limited*

Under an agreement dated April 16, 1973 the Commission purchased all of the outstanding shares in the capital stock of The Owen Sound Transportation Company Limited for the price of \$385,000. This company operates a ferry service between Tobermory on the mainland and South Baymouth on Manitoulin Island.

Purchase of the outstanding shares in The Owen Sound Transportation Company Limited was authorized by Order in Council dated September 26, 1973. However, the Order in Council stipulated that the cost was not to exceed \$375,000. Appropriate approval should be obtained for the additional expenditure of \$10,000.

### *Sale of Quebec Communication Operations*

As indicated in note 7 to the financial statements, in January, 1973 the Commission sold its communication operations in the Province of Quebec to Northern Quebec Telephone Inc. for an amount of \$1,870,000. This amount was in excess of the net recorded value of the assets, and the resultant profit of \$990,032 is reflected in the Statement of Retained Income.

Under the agreement between the Commission and Northern Quebec Telephone Inc. there is a possibility that the sale transaction may be ultimately reversed. This contingency is fully outlined in note 7 to the financial statements.

### *Demand Loan Financing*

Demand loan activity increased throughout the year. The total outstanding as at December 31, 1973 was \$27,640,000, compared with \$24,510,000 as at the previous year-end.

In August, 1973 a demand loan was obtained from the Province of Ontario in the amount of \$24,000,000. These proceeds were used to reduce the amount of demand loans outstanding with the chartered banks. We were advised that the banks had requested a reduction in demand loans of at least 50 per cent due to pressure on bank lending activities and the long term nature of the loans.

### *Reduction in Freight Rates*

In an effort to reduce consumer costs, freight rates on the Ontario Northland Railway were reduced effective October 1, 1973. A wide range of consumer and manufactured goods was affected. As indicated in note 1 to the financial statements, the Commission is to be reimbursed by the Ministry of Transportation and Communications for the difference between the revenue which would have been generated under the old rates and the revenue actually generated under the new rates. For the three months ended December 31, 1973 this difference amounted to \$87,500.

### *Accounts Receivable*

Accounts receivable reported on the balance sheet of the Commission as at December 31, 1973 were approximately \$2,100,000, or in excess of 65 per cent, higher than the amount reported as at December 31, 1972. Significant contributing factors included an increase of over \$980,000 in telephone interchange settlements receivable from Bell Canada pursuant to a recent agreement, and approximately \$490,400 due from Ecstall Mining Limited for rental of a spur line. As explained in note 8 to the financial statements, the payment of this latter amount is contingent upon the outcome of negotiations between the Commission and Ecstall Mining Limited.

The Commission's past experience in collecting accounts receivable has been most favourable. Bad debt write-offs have been few and for relatively minor amounts. No accounts receivable were written off during the year ended December 31, 1973.

In previous years the Commission had not found it necessary to make any provision for doubtful accounts relative to the accounts



receivable at year-end. As at December 31, 1973, however, the Commission considered that a provision for doubtful accounts should be made in the amount of \$50,000. This provision was charged to 1973 operations, with a corresponding reduction in the 1973 accounts receivable assets.

### *Accounts Payable and Accrued Charges*

Accounts payable and accrued charges reported in the balance sheet for 1973 were over \$2,500,000, or approximately 65 per cent, higher than the total reported for 1972. Major items giving rise to this increase included over \$875,000 in accrued interest on the demand loan from the Province of Ontario, and approximately \$600,000 payable to the Contributory Pension Fund as a result of improved pension benefits effective January 1, 1973.

### *Operating Results*

A net loss of \$482,241 was experienced for the year ended December 31, 1973. For the preceding year a net profit of \$514,626 was realized. A factor contributing to the approximate difference of \$1,000,000 in operating results was the change in accounting for the disposal of certain assets, as explained in note 4 to the financial statements. Other factors included the increase in the interest on demand loans, and the increase in the payments towards the unfunded liabilities of the Contributory Pension Fund.

### *Cheque Signing Control*

The Audit Branch of the Ministry reported that the keys for the cheque signing machine were maintained in an unsecured location. Blank cheque stock was stored in a similar fashion.

During the course of our review we observed similar conditions. Management has advised that corrective action is to be taken immediately.

### *Travelling Expenses*

We observed, as did the Audit Branch of the Ministry, that a more formal and consistent approach to travelling expenses was warranted. In our review of commissioners' travelling expenses, for example, we noted that some of the relevant vouchers did not clearly indicate the purpose of the trip or expenditure, and that not all were supported by receipts for accommodation and public transportation expenses claimed. On three occasions we observed that chartered aircraft were used without an explanation as to the reasons this mode of transportation was deemed necessary.



These matters should be rectified with regard to future travel. We recommend further that all travelling expenses incurred by commissioners be formally approved by the Commission and duly noted in the minutes.

### *Physical Inventory Taking*

The following weaknesses were noted in our review of physical inventory taking procedures:

- (a) absence of adequate written procedures;
- (b) absence of dual participation in which at least one person is independent of the regular storekeeper;
- (c) count sheets were not initialled or signed relative to physical count, pricing and final review;
- (d) cut-offs were not properly recognized.

Related and other observations with regard to stores and stock-keeping practices were reported by the Audit Branch of the Ministry.

### *Contributory Pension Fund*

In last year's report we pointed out that no effective control existed to provide reasonable certainty that recipients of pension payments were still living. Some additional precaution has since been taken in this regard. Other improvements suggested in last year's report were implemented during 1973. These concerned the method of handling pension cheques prior to their release.

### *Audit Committee*

Section 182 of The Business Corporations Act requires that 'the directors of a corporation that is offering its securities to the public shall elect annually from among their number a committee to be known as the audit committee to be composed of not fewer than three directors. . .'

Audit committees serve many purposes. They promote, for example, independent, critical and creative thought and assist directors in fulfilling their responsibilities. In addition, they open the way for auditors, financial officers and employees to bring their recommendations to the attention of the Board of Directors.

While section 182 of The Business Corporations Act is not applicable to the Ontario Northland Transportation Commission, the Commission would nevertheless derive substantial benefit from the establishment of an audit committee. Accordingly, we recommend that the matter be given early consideration."

**157. Ontario Place Corporation.** The balance sheet of the Corporation reflected both assets and liabilities in the amount of \$3,592,705 as at March 31, 1974. The assets included a deficit of \$12,568. For the 1973-74 fiscal year the Corporation's income and expenditure totalled \$4,614,912 and \$4,613,986 respectively. The former figure included grants of \$1,818,100 from the Province of Ontario. The financial statements of the Corporation are reproduced in Volumn 2 of the 1973-74 Public Accounts.

During the year the Treasurer of Ontario made additional loans to the Corporation in the amount of \$1,288,900, bringing the total of such loans outstanding to \$3,471,900 as at March 31, 1974. These loans are non-interest bearing and the terms for principal repayment have not been stipulated. Officials of the Corporation have again indicated that they cannot foresee the possibility of the Corporation ever having sufficient funds to repay loan principal. The previous expression of opinion in this regard was noted in our 1972-73 Report (section 135).

In our 1972-73 Report we also pointed out that approval by Order in Council, as required by legislation, had not been obtained concerning fees established by the Corporation for services and facilities provided at Ontario Place, e.g. marine operations, parking, etc. This situation remained unchanged throughout the 1973-74 fiscal year.

During the course of our previous audit, weaknesses were noted in the Corporation's purchasing procedures. As part of our audit of the Corporation for the year ended March 31, 1974, a detailed review was made of purchasing procedures and inventory controls. As a result of this review the following recommendations were made:

1. In addition to the present requirement of a minimum of two quotations for purchases over \$500, formal tendering procedures should be used when requirements exceed prescribed limits, as determined by management.
2. Written documentation of all competitive quotations should be maintained by the purchasing department.
3. Written explanations should be on file in instances where quotations were not requested or where the purchase was made from other than the lowest bidder.
4. The use of "confirmation" purchase orders should be restricted to emergency situations.
5. To ensure that invoices and supporting documents are adequately checked and properly approved prior to being submitted for payment, a "block stamp" should be introduced

in the accounts payable area. This "stamp" would show separate areas that should be initialled by the employee performing the various checks.

6. All incoming goods should be required to pass through a central receiving area, which would be supplied initially with the receiving copy of all purchase orders. The quantity column should be blocked out of the receiving copy to ensure an actual count of the quantities received.
7. The receiving and stores area should be independent of the purchasing branch.
8. Consideration should be given as to the feasibility of adopting inventory records and controls for stores items.
9. Detailed fixed assets records should be reconciled with the general ledger balances at least annually.

**158. Pension Commission of Ontario.** During the year ended March 31, 1974, revenue and expenditure of the Pension Commission were in the amounts of \$274,440 and \$269,395 respectively.

The Pension Benefits Act came into force in 1963, and established the Pension Commission of Ontario for the purpose of promoting improvement of pension plans and to accept all pension plans for registration as required under the Act. As at March 31, 1974 approximately 8,000 pension plans were registered.

The Regulations under the Act require that an employer submit an annual information return and related fee to the Commission not later than six months following the end of the fiscal year of the pension plan. The most recent summary of pension plans failing to satisfy this requirement was prepared in November, 1973 and reflected over 1,400 returns in default, some of which for as long as six years. A similar summary prepared approximately one year earlier had shown less than 900 returns in default.

We are advised that the Commission has not been able to adequately attend to the default problem in recent years because of insufficient staff. In our opinion, every effort should be made to rectify this default situation as quickly as possible. The revenue loss is substantial. The amount of uncollected revenue is not readily available from the Commission's records; however, many thousands of dollars would be involved. Perhaps more consideration should be given to invoking the sections of the Act which deal with the contravention of any of the provisions of the Act or the Regulations. Section 29 provides for fines of from \$200 to \$10,000, while section 10 provides for cancellation of pension plan certificates of registration.

Payments totalling \$5,100 for services rendered were made by the Commission in 1973-74 to a firm of consulting actuaries. Similar payments in 1972-73 totalled in excess of \$13,000. We noted that a senior official of the firm in question is also a member of the Commission. This situation has the appearance of a conflict of interest and we, therefore, recommended that the matter be fully reviewed by the Commission.

With regard to the foregoing the Commission advised us on October 18, 1974 that:

"The members considered the recommendations in the report in detail at subsequent meetings and steps have now been taken to ensure that Annual Information Returns will be placed on the current basis".

and

"The question of the conflict of interest has also been considered in depth and a resolution passed by the Commission to prevent any suggestion of such a conflict in the future."

**159. Province of Ontario Council for the Arts.** As at March 31, 1974, the assets of the Council totalled \$819,807 with offsetting liabilities of \$233,456 and reserves of \$586,351. For the 1973-74 fiscal year, income and expense amounted to \$5,248,490 and \$4,921,064 respectively. The former figure included amounts received from the Province of Ontario totalling \$5,170,000, while the latter figure included payments of \$4,341,797 by the Council with respect to grants and programs.

At the time of our audit, unused cheques were not being adequately safeguarded. The cheques were stored in boxes in the stockroom, easily accessible to unauthorized persons. It is understood that the cheques have now been placed under lock and key in the finance office. It is recommended that to strengthen internal control further, a usage register be introduced to record cheques on hand, new purchases made, cheques issued and cheques spoilt or cancelled.

It was noted that during the year cheques in respect of grants and programs were not mailed directly by the finance office but were returned to the co-ordinators for mailing to the recipients. It is recommended that cheques be mailed directly to recipients from the finance section independent of the co-ordinators who are also involved in the recommending of certain grants and programs for payment.



Due to incomplete information available in respect of assets purchased in the past, it was recommended that a complete physical inventory of all fixed assets be made. Items identified should be tagged or numbered. A proper fixed assets register should be compiled giving approximate value, location and identification or serial number, where available, in respect of past purchases. For subsequent new purchases the supplier's name, date of purchase, purchase price, location and identification or serial number should be recorded. The original cost of items traded-in or sold should be eliminated from the register. The register should be reconciled periodically with the general ledger and differences investigated.

During the year, large amounts were expended in the purchase of furniture, office renovations and typesetting and related services. In a majority of these cases there were no purchase orders, contracts or agreements. There was also no evidence to indicate that quotations were called for to obtain the most favourable price. These observations have also been made and reported to the Council by the Internal Audit Branch of the Ministry of Colleges and Universities. Recommendations made by them should be implemented. We recommended that the Council establish a purchasing policy and adhere to it on a consistent basis.

Internal control weaknesses relating to the processing of travel and entertainment expense claims were outlined fully by the internal auditors in their report to the Council. Our findings in this area are summarized below:

- (a) expense claims were not submitted on a regular basis. In two instances these were several months late;
- (b) expense claims were not approved in several cases and were also not properly completed;
- (c) lunch meetings between members of the staff were claimed and paid for;
- (d) hotel bills for meals did not indicate the names of guests accompanying the claimant;
- (e) there were no details or explanations for major telephone charges;
- (f) there were several instances of costs claimed for attendance at shows and festivals by Council employees accompanied by their family members;
- (g) meal costs appeared to be excessive on several expense claims;

- (h) use of credit cards was not properly controlled. In one instance a credit card belonging to the employee's spouse was used and the voucher signed by the spouse;
- (i) mileage claims paid for did not show points travelled;
- (j) amounts expended on lunches with grant applicants and prospective employees were claimed and paid for;
- (k) expense claims did not provide certification by claimant that the expenses had been incurred wholly on business.

It is important that policy guidelines be implemented by the Council to establish proper controls over the processing and payment of travel and entertainment expense claims. It is also imperative that employees co-operate fully in the proper and prompt processing of their claims. We noted that directives issued by the executive director and the finance officer in previous years have been disregarded by the employees.

**160. The Province of Ontario Savings Office.** As as March 31, 1974, the assets of the Savings Office totalled \$187,626,092 with offsetting liabilities of \$187,332,809 and reserve of \$293,283. For the 1973-74 fiscal year, revenue and expenditure amounted to \$12,714,740 and \$11,847,435 respectively. The financial statements of the Savings Office are reproduced in Volume 2 of the 1973-74 Public Accounts.

In our 1972-73 Report (section 138) we noted that the Savings Office maintains a reserve account on its books the amount of which, \$293,283, has remained unchanged for over thirty-five years. We recommended that the amount and purpose of the reserve be reviewed. As far as we could determine no such review had been undertaken as at the conclusion of our 1973-74 audit.

Reference was also made in our 1972-73 Report to the method of apportioning revenue and expenditure in the determination of net profit or loss on a branch basis. In our opinion this method is inequitable in that it favours branches with large non-interest bearing account balances. No change was made in the method of apportionment for the 1973-74 fiscal year. We still feel that some change is essential if a meaningful comparison of branch operations is to be achieved.

Each branch of the Savings Office was inspected during the year by the inspection staff located at Head Office. We reviewed all inspection reports. In addition, we participated in one of the inspections, following which a number of recommendations were discussed with, and are being considered by, the Director of the Savings Office. Our recommendations included a change in the manner of scheduling branch office inspections, and a revised method of selecting depositors'

accounts for the purpose of confirming individual bank balances. During the year the Audit Services Branch of the Ministry of Revenue also reviewed the inspection function of The Province of Ontario Savings Office. A report was prepared in which a number of recommendations were made. These are also being considered by the Director of the Savings Office.

**161. Public Service Superannuation Fund.** At March 31, 1974, the balance in the Fund amounted to \$685,032,086. For the 1973-74 fiscal year, receipts and disbursements totalled \$128,956,715 and \$38,007,458 respectively.

As was noted in our 1972-73 Report (section 139), the most recent actuarial review of the Public Service Superannuation Fund was made as at December 31, 1970. As at that date this review disclosed an unfunded liability of \$117,241,000. Of this amount \$82,616,000 represents the initial unfunded liability as at January 1, 1965; the balance of \$34,625,000 represents the outstanding amount, as at December 31, 1970, of the experience deficiency which has arisen subsequent to January 1, 1965. The Province of Ontario has been making annual payments of interest and principal into the Fund in accordance with the Regulations under The Pension Benefits Act. These payments are designed to prevent an increase in the initial unfunded liability and to liquidate the experience deficiency over a period ending April 1, 1974.

We also commented in our previous Report upon the apparent insufficiency of the interest credited to the Fund with respect to unfunded liability payments. This situation remained unchanged during the 1973-74 fiscal year. Interest continued to be credited on the unfunded liability payments at the rate of 5 per cent per annum in accordance with section 5 (5) of The Public Service Superannuation Act. Actuarial calculations, on the other hand, would appear to require the crediting of interest at the rate of 6 per cent per annum.

Section 5 (5) of the Act was repealed by The Public Service Superannuation Amendment Act, 1974 which was passed in June 1974. In future the interest credited to the Fund with respect to unfunded liability payments will be pursuant to section 5 (4) of The Public Service Superannuation Act. Under this section interest is credited at a rate and in a manner determined by the Lieutenant Governor in Council.

**162. Settlers' Loan Commissioner.** As was indicated in our 1972-73 Report (section 83) the office of Settlers' Loan Commissioner was effectively terminated on May 25, 1973 by The Northern Development Repeal Act, 1973.



As it was the practice to include the balance of Settlers' Loans receivable under Inactive Assets on the Statement of Assets and Liabilities of the Province, we recommended that this balance be written off. Pursuant to the provisions of section 14 of The Financial Administration Act, write-off of the amount outstanding, \$44,938, was authorized by Order in Council dated March 27, 1974, thereby eliminating this asset from the Statement of Assets and Liabilities of the Province.

**163. Soldiers' Aid Commission and Ontario Canteen Fund.** At a meeting of the Soldiers' Aid Commission held on October 25, 1973, the Provincial Auditor for the Province of Ontario was appointed auditor for the Soldiers' Aid Commission and for the Ontario Canteen Fund. These appointments were effective from April 1, 1971. We commented in our 1972-73 Report (section 140) that we had not had an opportunity to examine the accounts and financial transactions of either the Soldiers' Aid Commission or the Ontario Canteen Fund. Examinations covering the three year period ended March 31, 1974 have now been made and the following comments are relative thereto:

#### *Soldiers' Aid Commission*

As at March 31, 1974 the assets of the Commission totalled \$165,910, with liabilities and surplus aggregating a corresponding amount. For the 1973-74 fiscal year revenue and expenditure amounted to \$44,709 and \$49,539 respectively.

The Commission was established in 1915 to assist members of the Canadian Expeditionary Force who returned to Canada during the war. Subsequently, eligibility for assistance was expanded to include ex-servicemen who served in World War II and the Korean War. Provision was also made for assistance to dependants.

The Commission is authorized to receive and administer gifts and bequests. In addition, all salaries and other costs incurred by the Commission are payable out of moneys appropriated by the Legislature for this purpose. In recent years the funds provided out of moneys appropriated have exceeded the administrative expenditures of the Commission. This excess has been applied toward the payment of assistance benefits.

Benefits provided cover a wide range and include assistance towards the cost of dentures, glasses and living expenses. Payments are numerous and for relatively minor amounts. During the year ended March 31, 1974 the Commission made over 500 payments totalling in excess of \$28,000, with individual amounts in the approximate range of \$2 to \$400.

The cost of administration exceeded \$21,500 in 1973-74, and is high relative to the amount of assistance payments made. Over the past three years, for example, each \$1.00 of assistance has cost approximately



60¢ to provide. Consideration should be given to alternative administrative arrangements or to the phasing out of the activities of the Commission to other agencies. In this latter regard, the assets or surplus funds could be reduced through decreased provisions from moneys appropriated by the Legislature, or through increased participation by the Commission in those cases where assistance is shared by other agencies.

### *Ontario Canteen Fund*

A balance of \$2,147 remained in the Fund as at March 31, 1974. During the 1973-74 fiscal year no expenditures were made from the Fund and revenue consisted solely of bank interest in the amount of \$48.

The Fund was established in 1925, and was allotted a share of the profits which had accumulated from the operation of canteens and other sources during the First World War. The purpose of the Fund was to financially assist ex-servicemen and their dependants who were in need through sickness or other causes. Original and subsequent allotments to the Fund totalled in excess of \$1 million. These moneys were almost completely expended as at March 31, 1974.

Active operation of the Fund was suspended during the 1973-74 fiscal year. Requests for assistance were directed to the Soldiers' Aid Commission. This course of action had not been formally approved by the Trustees of the Fund at the time of audit. We recommended that this be done, and that appropriate steps then be taken to dissolve the fund and transfer its assets to the Soldiers' Aid Commission.

**164. Star Transfer Limited.** As at December 31, 1973 the assets of the Company totalled \$3,457,194 with offsetting liabilities and reserves of \$757,961 and capital and retained income of \$2,699,233. For the 1973 calendar year revenue and expenses amounted to \$5,733,665 and \$5,257,772 respectively.

During the spring of 1974 the Standing Committee on Public Accounts conducted an extensive review of the operations of Star Transfer Limited, a wholly owned subsidiary of the Ontario Northland Transportation Commission. To assist in this review, the Committee requested in a report to the Legislative Assembly on April 9, 1974, that it be provided with a copy of the Provincial Auditor's report on Star Transfer Limited for the year ended December 31, 1973, concurrently with copies of the same being provided to the company and to the Ministry of Transportation and Communications. In accordance with this request a copy of the referenced report was made available to the Committee on May 14, 1974. This report reads as follows:

"By resolution passed at the annual general meeting of shareholders held on May 16, 1973, the Provincial Auditor was re-appointed auditor of Star Transfer Limited to hold office until the next annual meeting of the shareholders. In accordance with this re-appointment, an audit of the books, records and accounts of Star Transfer Limited has been completed for the year ended December 31, 1973.

### *Establishment of the Company*

Star Transfer Limited was incorporated as a private company on January 2, 1951, and was subsequently purchased by the Ontario Northland Transportation Commission under an agreement dated July 11, 1960. Since that time Star Transfer Limited has operated as a wholly owned subsidiary of the Commission, and has provided trucking service throughout northeastern Ontario.

The issued capital stock of Star Transfer Limited consists of 395 preference shares and 145 common shares. All of the shares are held by the Ontario Northland Transportation Commission. As at December 31, 1973, all of the preference shares and 135 of the common shares were in the name of the Ontario Northland Transportation Commission in trust for the Province of Ontario. Each of nine common shares was in the name of a director of Star Transfer Limited in trust for Ontario. One common share was in the name of a former director in trust for Ontario. We were advised that this individual resigned in November, 1973.

### *Appointment and Remuneration of Directors*

Under the by-laws of the Company the Board of Directors is to be composed of eleven members. As at December 31, 1973 the Board consisted of only nine members. Eight of the directors of Star Transfer Limited are also commissioners of the Ontario Northland Transportation Commission.

The by-laws of the Company further provide that, effective January 1, 1972, directors are to be remunerated at the rate of \$1,200 per annum.

### **DEVELOPMENTS IN 1973**

#### *Operational Review*

In June 1972 the Standing Committee on Public Accounts requested that the Provincial Auditor review purchasing procedures and inventory controls in Star Transfer Limited. Our report on this review was submitted to the Committee on October 25, 1972. Subsequently, in accordance with our appointment as auditor of the Company, an annual financial audit was completed for the year ended December 31, 1972. Our report on this audit was dated May 11, 1973 and was submitted to the Company and to the Minister of Transportation and Communications.

The directors of the Company and senior officials of the Ministry of Transportation and Communications were concerned about the findings disclosed in these reports, particularly those which they construed as indicative of a possible conflict of interest on the part of the Company's Managing Director. In view of their concern, they requested that the Audit Branch of the Ministry conduct a full and complete audit of the books of Star Transfer Limited. The Managing Director was suspended, with pay, pending completion of the audit. The suspension was approved by the Board of Directors on April 30, 1973.

The Audit Branch of the Ministry submitted an interim report to the Deputy Minister and to the President of the Company on May 28, 1973. This report, while critical of some of the Company's accounting practices, contained no suggestion of any dishonesty on the part of the Managing Director. Nevertheless, the Managing Director tendered his resignation. This official was also a member of the Company's Board of Directors and his resignation affected both capacities. The Board accepted the Managing Director's resignation on May 29, 1973, but approved his retention as a consultant at his then current salary for a period of one year.

The Audit Branch of the Ministry completed its review in June, 1973 and prepared a detailed report of its findings and recommendations. Accounts receivable, payroll, and plant and equipment were among the areas affected. In several instances management did not agree with the views expressed by the Audit Branch of the Ministry. However, they did accept many of the recommendations for early implementation and a number of others for further study as to their feasibility.

The review performed by the Audit Branch of the Ministry was operational in nature, and consequently more in depth and extensive, than that normally associated with the primarily financial audit undertaken by the Provincial Auditor. In addition, the Audit Branch of the Ministry is perhaps less amenable to operating practices, many of them carried over from Star Transfer Limited's days as a private company, which do not conform with established control standards of the Ministry. Accordingly, their findings and recommendations are detailed and numerous. We are in agreement with many of the proposals made, in particular those concerning purchasing and inventory controls, travelling expenses, purchase of fuel by employees, and personnel records. Reference to these findings and recommendations of the Audit Branch of the Ministry is contained in subsequent sections of this report.

### *Organizational Review*

During the year a consultant was engaged to review the organizational structure of the Company. The consultant undertook this assignment in conjunction with a similar organizational review of the Ontario North-



land Transportation Commission. The review of Star Transfer Limited was completed in September, 1973 and a detailed proposal submitted, a main feature of which was the combining, for operational purposes, of Star Transfer Limited and the Express-Freight operations of the Commission under a Director of Transport and Express Services. Consistent with this recommendation, it was further suggested that Star Transfer Limited drop its present identification and adopt the name of 'Transport Services' and that a review be undertaken of the need for retaining Star Transfer Limited as a legally constituted limited company.

The overall concept as recommended by the consultant was approved by the Board of Directors at its meeting of September 6, 1973. Certain appointments consistent therewith were approved by the Board effective September 1, 1973.

#### *Revised Billing Procedure*

A revised billing procedure was introduced in the latter months of the year. Difficulties were experienced in the initial stages which delayed the monthly preparation and dispatch of the billing statements. This, in turn, has tended to delay collections and to increase accounts receivable reported at year-end. Improved results are anticipated as the new procedure becomes more fully established.

#### *Reduction in Freight Rates*

In an effort to reduce consumer costs, freight rates were reduced on October 1, 1973. A wide range of consumer and manufactured goods were affected. As indicated in note 1 to the financial statements, Star Transfer Limited is to be reimbursed by the Ministry of Transportation and Communications for the difference between the revenue which would have been generated under the old rates and the revenue actually generated under the new rates. For the three months ended December 31, 1973 this difference amounted to \$215,574.

#### *Purchasing and Inventory Controls*

Subsequent to our 1972 review of purchasing procedures and inventory controls, a Task Force Steering Committee (Project 2005) was appointed consisting of senior representatives from Star Transfer Limited, the Ontario Northland Transportation Commission, and the Ministry of Transportation and Communications. A project team was assembled and given the responsibility of establishing purchasing and inventory procedures for Star Transfer Limited. The project team completed its assignment in January, 1973 and submitted a detailed report to the Steering Committee. This report recommended a method of operation for Star Transfer Limited which involved the hiring of two



stock/purchasing clerks who would report to the office manager, and the use of the purchasing agent at the Ontario Northland Transportation Commission.

In addition to the foregoing, many other recommendations made by ourselves and by the project team have also been implemented. For example, written price quotations are now obtained on major purchases, and perpetual inventory records of vehicle parts and supplies have been established. Despite the extensive reviews and changes which the Company has experienced in the past year, management has been able to devote considerable attention to the improvement of purchasing and inventory controls. However, we felt that an assessment of the effectiveness of measures taken to date would not be fair or conclusive at this time.

### *Travelling Expenses*

Travelling expenses for the year ended December 31, 1973, totalled approximately \$25,800, an increase of some \$14,000 over the previous year. Much of this increase was incurred by support staff supplied to Star Transfer Limited by the Ontario Northland Transportation Commission following the resignation of the Managing Director in May, 1973.

Company policy with respect to the reimbursement of travelling expenses is not clearly established. We are uncertain, for example, what the policy is with respect to the payment of expenses for wives who accompany Company employees attending conventions. Several instances were noted where such expenses were reimbursed by the Company. In a number of cases we also observed that travel vouchers did not indicate the purpose of the trip and did not contain adequate explanation or support for some of the expenses claimed.

Similar observations were made by the Audit Branch of the Ministry. We concur with their recommendation that a formal policy be established with regard to travelling expenses and the preparation of travel vouchers.

### *Purchase of Fuel by Employees*

During our review we noted, as had the Audit Branch of the Ministry, that quantities of gasoline were being purchased by office and supervisory employees. These employees were being billed monthly for their purchases at a price slightly above cost. Management agreed that the sale of gasoline to employees was undesirable, and the practice was discontinued effective January, 1974.

### *Personnel Records*

During the course of audit we observed the adoption of more formal procedures with respect to the maintenance of personnel records. A directive, for example, had been issued stipulating that time cards are

to be approved by the employee's foreman or immediate supervisor. In addition, an individual employee absence/tardiness report system has been implemented. These and other improvements had been recommended by the Audit Branch of the Ministry.

#### *Audit Committee*

Section 182 of The Business Corporations Act requires that 'the directors of a corporation that is offering its securities to the public shall elect annually from among their number a committee to be known as the audit committee to be composed of not fewer than three directors. . . .'

Audit committees serve many purposes. They promote, for example, independent, critical and creative thought and assist directors in fulfilling their responsibilities. In addition, they open the way for auditors, financial officers and employees to bring their recommendations to the attention of the Board of Directors.

While section 182 of The Business Corporations Act is not applicable to Star Transfer Limited, the Company could nevertheless derive substantial benefit from the establishment of an audit committee. Accordingly, we recommend that the matter be given early consideration."

**ACKNOWLEDGEMENTS**

I am pleased to have this opportunity to acknowledge the willing co-operation and effective help of the officials and staff of the various Ministries and Crown Agencies during the conduct of the audit.

Also, may I express my sincere appreciation for the faithful performance of their duties by the Directors and other members of my staff during the year.

A handwritten signature in dark ink, appearing to read "F. N. Scott", followed by the letters "C.A." in a smaller, handwritten font.

F. N. SCOTT, C.A.,  
Provincial Auditor.

Toronto, November 29, 1974.





## EXHIBITS

1. Statement of Assets and Liabilities as at March 31, 1974.
2. Statement of Consolidated Revenue Fund for Fiscal Year Ended March 31, 1974.
3. Revenue and Expenditure for Fiscal Year Ended March 31, 1974.
4. Management Board Orders—Issued During the Fiscal Year Ended March 31, 1974.
5. Revenue and Expenditure Audits, Office of Provincial Auditor, Fiscal Year Ended March 31, 1974.
6. Crown Agency Audits, Office of Provincial Auditor, Fiscal Year Ended March 31, 1974.

**PROVINCE OF**  
**STATEMENT OF ASSETS AND**  
**(with comparative**

**Assets**

	1974	1973
	\$	\$
Cash and temporary investments (at cost).....	933,211,187	952,511,764
Advances to Ontario Hydro.....	1,478,211,011	1,262,307,573
Advances and investments—Crown Corporations, Boards and Commissions.....	3,240,677,962	2,876,776,557
Investments in water treatment and waste control facilities (at cost less recoveries).....	408,067,331	337,895,860
Loans to municipalities.....	181,307,301	165,089,840
Other loans and investments (at cost).....	197,559,422	188,630,675
Fixed assets.....	1	1
Inactive assets.....	4,350,546	4,395,861
Total assets.....	6,443,384,761	5,787,608,131
Less: Reserve for inactive assets.....	4,350,546	4,350,546
Net realizable assets.....	6,439,034,215	5,783,257,585
Net debt.....	2,901,508,846	2,522,043,433
	9,340,543,061	8,305,301,018

Approved on behalf of the Ministry of Treasury, Economics and Intergovernmental Affairs:

A. R. DICK, Deputy Treasurer of Ontario and Deputy Minister of Economics and Intergovernmental Affairs.

G. McINTYRE, F.C.A., Executive Director, Treasury Division.

## EXHIBIT 1

## ONTARIO

## LIABILITIES AS AT MARCH 31, 1974

figures for 1973)

## Liabilities

	1974 \$	1973 \$
Demand deposits with the Province of Ontario Savings Office.....	187,332,809	159,303,559
Pension funds.....	686,786,611	595,723,992
Deposit, trust and reserve accounts.....	99,916,175	95,179,184
Advances payable.....	25,201,073	24,102,753
Treasury bills.....	90,000,000	260,000,000
Notes payable.....	23,345,600	26,466,669
Debentures.....	8,277,036,293	7,172,662,861
Deduct: Ontario debentures held as investments....	49,075,500	28,138,000
	<u>8,227,960,793</u>	<u>7,144,524,861</u>
	<u>9,340,543,061</u>	<u>8,305,301,018</u>
Contingent liabilities:		
Bonds, etc., guaranteed by the Province.....	3,330,184,334	3,029,872,372

I have examined the above Statement of Assets and Liabilities of the Province of Ontario as at March 31, 1974, the Statement of Consolidated Revenue Fund, the Revenue and Expenditure statement, and the related financial statements appearing in Volume 1 of the Public Accounts for the year ended on that date. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion these financial statements present fairly the financial position of the Province as at March 31, 1974 and the results of its operations for the year then ended, and were prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. The generally accepted accounting principles are those relative to government accounting and are fully described under the heading of 'Basis of Reporting' on Page 8 of Volume 1 of the Public Accounts.

In accordance with section 20 of The Audit Act, a report will be made to the Legislative Assembly.

F. N. SCOTT, C.A.,  
Provincial Auditor.

Toronto, October 31, 1974.

**STATEMENT OF CONSOLIDATED REVENUE FUND**  
**FOR FISCAL YEAR ENDED MARCH 31, 1974**

	\$	\$	\$
OPENING BALANCE			
Cash and temporary investments .....	952,511,764		
Ontario debentures held as investments .....	28,138,000		
			980,649,764
BUDGETARY TRANSACTIONS			
Revenue .....	6,922,396,286		
Expenditure .....	7,301,861,699		
Budgetary deficit .....		(379,465,413)	
NON-BUDGETARY TRANSACTIONS			
Receipts and Credits .....	380,351,021		
Disbursements and Charges .....	931,599,368		
Non-budgetary deficit .....		(551,248,347)	
NET CASH REQUIREMENTS .....			(930,713,760)
DEBT TRANSACTIONS			
Proceeds of loans .....	1,195,787,511		
Repayments of loans .....	263,436,828		
			932,350,683
CLOSING BALANCE			
Cash and temporary investments .....	933,211,187		
Ontario debentures held as investments .....	49,075,500		
			982,286,687



## EXHIBIT 3

**REVENUE AND EXPENDITURE**  
**FOR FISCAL YEAR ENDED MARCH 31, 1974**

MINISTRIES	REVENUE	EXPENDITURE
	\$	\$
Office of the Lieutenant Governor.....	—	50,708
Office of the Speaker.....	64,744	6,452,427
Office of the Premier.....	103	1,119,296
Cabinet Office.....	38	871,983
Management Board.....	5,626	1,831,944
Civil Service Commission.....	190,346	4,240,170
Office of Provincial Auditor.....	—	1,254,036
Government Services.....	4,903,041	179,498,368
Revenue.....	4,298,952,425	53,311,543
Treasury, Economics and Intergovernmental Affairs.....	562,174,088	868,300,943
Housing.....	88,764	33,293,349
Justice Policy.....	—	308,167
Attorney General.....	55,108,227	68,118,668
Consumer and Commercial Relations.....	28,459,109	28,446,467
Correctional Services.....	5,245,432	86,326,051
Solicitor General.....	2,355,446	90,412,443
Resources Development Policy.....	17	349,689
Agriculture and Food.....	11,347,842	104,669,087
Environment.....	23,726,379	45,085,273
Industry and Tourism.....	248,168	26,251,653
Labour.....	2,458,439	11,923,055
Natural Resources.....	89,660,894	158,627,095
Transportation and Communications.....	210,659,606	684,357,637
Energy.....	24,307	1,618,957
Social Development Policy.....	45	493,794
Colleges and Universities.....	72,037,847	808,801,656
Community and Social Services.....	215,856,167	464,499,001
Education.....	3,393,986	1,410,345,445
Health.....	1,335,435,200	2,161,002,794
	<u>6,922,396,286</u>	<u>7,301,861,699</u>

## MANAGEMENT BOARD ORDERS

### STATEMENT OF MANAGEMENT BOARD ORDERS ISSUED FOR THE AUTHORIZATION OF EXPENDITURES IN EXCESS OF APPROPRIATIONS DURING THE FISCAL YEAR ENDED MARCH 31, 1974

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
	<b>Office of the Lieutenant Governor</b>	\$	\$
April 9, 1974	Office of the Lieutenant Governor Program: Office of the Lieutenant Governor.....	5,000	4,708
		5,000	4,708
	<b>Office of the Speaker</b>		
Mar. 12, 1974	Office of the Speaker Program: Hansard.....	61,200	58,594
April 16, 1974	Clerk of the Legislative Assembly and Chief Election Officer: Order..... \$ 11,000		
April 23, 1974	Order..... 9,000	20,000	15,357
Jan. 8, 1974	Sessional and Other Requirements: Order..... \$ 651,100		
Feb. 26, 1974	Order..... 455,800		
Mar. 15, 1974	Order..... 380,000		
April 16, 1974	Order..... 24,000	1,510,900	1,455,072
		1,592,100	1,529,023
	<b>Office of the Premier</b>		
April 9, 1974	Office of the Premier Program: Office of the Premier.....	25,000	15,063
		25,000	15,063
	<b>Management Board</b>		
April 2, 1974	Management Board Secretariat Program: General Administration.....	18,500	9,710
April 2, 1974	Implementation of Recommendations of the Committee on Government Productivity.....	46,400	29,134
		64,900	38,844

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Civil Service Commission</b>		
	Personnel Administration Program:		
Mar. 15, 1974	Personnel Administration—Social .....	2,700	—
Mar. 15, 1974	Personnel Administration—Resources .....	45,400	22,341
Mar. 15, 1974	Personnel Administration—Justice .....	19,100	7,710
Mar. 15, 1974	Personnel Administration—Central .....	44,900	31,174
	Personnel Policy Program:		
Mar. 15, 1974	Systems and Procedures .....	5,200	—
	Personnel Services Program:		
Mar. 15, 1974	Communications and Publicity Services .....	2,200	—
		119,500	61,225
	<b>Ministry of Government Services</b>		
	Ministry Administration Program:		
Mar. 26, 1974	Personnel Services .....	6,600	4,653
	Provision of Accommodation Program:		
Mar. 26, 1974	Planning and Research .....	10,000	4,286
Mar. 26, 1974	Design Services .....	102,600	63,389
	Property Management:		
Mar. 26, 1974	Order .....	\$ 1,354,100	
April 23, 1974	Order .....	275,000	
		1,629,100	1,625,220
	Legislature Services Program:		
Mar. 12, 1974	Legislative Library .....	16,500	12,177
	Communications and Special Services:		
Jan. 8, 1974	Order .....	\$ 304,800	
Mar. 15, 1974	Order .....	225,000	
		529,800	510,356
	Legislative Building Services:		
Mar. 26, 1974	Order .....	\$ 50,000	
April 16, 1974	Order .....	66,000	
		116,000	112,712
	Supply Services Program:		
Mar. 26, 1974	Printing and Publishing Services .....	60,000	56,219
Mar. 26, 1974	Mailing Services .....	5,400	—
Mar. 26, 1974	Telephone Services .....	124,000	117,382
	Payments Services Program:		
Mar. 26, 1974	Government Banking, Payroll and Cheque-writing Services .....	61,100	—
	Government Benefit Plans:		
Feb. 19, 1974	Order .....	\$ 437,600	
Mar. 26, 1974	Order .....	5,500	
		443,100	144,489
		3,104,200	2,650,883

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of Revenue</b>		
April 2, 1974	Ministry Administration Program:		
	Financial Services . . . . .	7,500	5,204
		7,500	5,204
	<b>Ministry of Treasury, Economics and Intergovernmental Affairs</b>		
April 2, 1974	Ministry Administration Program:		
	Office of Information Services . . . . .	41,900	30,080
Mar. 12, 1974	Urban and Regional Affairs Program:		
	Tax Diminution . . . . .	8,621,000	8,265,778
		8,662,900	8,295,858
	<b>Ministry of Housing</b>		
Feb. 19, 1974	Planning and Housing Development Program:		
	Community Renewal . . . . .	20,100*	—
		20,100	—
	<b>Ministry of the Attorney General</b>		
Mar. 26, 1974	Law Officer of the Crown Program:		
April 2, 1974	Deputy Attorney General:		
	Order . . . . . \$ 4,000		
	Order . . . . . 22,000		
		26,000	10,028
July 17, 1973	Royal Commissions:		
Jan. 29, 1974	Order . . . . . \$ 429,000		
	Order . . . . . 391,000		
		820,000	781,295
Feb. 19, 1974	Administrative Services Program:		
Feb. 26, 1974	Program Administration:		
	Order . . . . . \$ 87,000		
	Order . . . . . 1,509,000		
		1,596,000	1,507,270
Mar. 26, 1974	Financial Management . . . . .	14,000	12,628
Mar. 26, 1974	Office Services . . . . .	2,300	—
Mar. 26, 1974	Personnel Management . . . . .	7,700	—
Mar. 12, 1974	Guardian and Trustee Services Program:		
Mar. 26, 1974	Official Guardian . . . . .	130,000	78,927
	Supreme Court Accountant . . . . .	2,000	—
Mar. 26, 1974	Crown Legal Services Program:		
Mar. 26, 1974	Criminal Prosecutions . . . . .	116,000	49,546
	Civil Litigation and Legal Advisory Services . . . . .	75,000	—
Mar. 26, 1974	Courts Administration Program:		
	Program Administration . . . . .	2,000	—

\*This Order was rescinded by Management Board on April 9, 1974.



DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of the Attorney General—Continued</b>		
	Supreme Court of Ontario:		
Mar. 26, 1974	Order . . . . . \$ 14,500		
April 2, 1974	Order . . . . . 43,000	57,500	—
	County, District and Small Claims Courts:		
Mar. 26, 1974	Order . . . . . \$ 9,000		
April 2, 1974	Order . . . . . 430,000	439,000	438,776
	Provincial Courts:		
Mar. 26, 1974	Order . . . . . \$ 48,500		
April 23, 1974	Order . . . . . 342,000	390,500	390,460
		3,678,000	3,268,930
	<b>Ministry of Consumer and Commercial Relations</b>		
	Commercial Standards Program:		
Mar. 26, 1974	Motor Vehicle Accident Claims Fund . . . . .	159,000	158,900
	Public Entertainment Standards Program:		
	Regulation of Horse Racing:		
Mar. 26, 1974	Order . . . . . \$ 33,000		
Mar. 26, 1974	Order . . . . . 325,000	358,000	350,170
	Property Rights Program:		
Mar. 5, 1974	Program Administration . . . . .	35,000	12,165
	Legal Surveys:		
Mar. 5, 1974	Order . . . . . \$ 21,000		
April 16, 1974	Order . . . . . 10,000	31,000	27,603
		583,000	548,838
	<b>Ministry of Correctional Services</b>		
	Ministry Administration Program:		
April 16, 1974	General Administration . . . . .	17,200	16,744
April 16, 1974	Administrative and Financial Services . . . . .	98,800	95,759
Mar. 26, 1974	Personnel Services . . . . .	48,000	47,433
	Rehabilitation of Adult Offenders Program:		
Mar. 26, 1974	General Administration . . . . .	70,000	53,879
	Care, Treatment and Training of Adult Offenders:		
Mar. 26, 1974	Order . . . . . \$3,500,000		
April 16, 1974	Order . . . . . 480,000	3,980,000	3,975,850
Mar. 26, 1974	Ontario Board of Parole . . . . .	15,000	14,615

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of Correctional Services—Continued</b>		
	Rehabilitation of Juveniles Program:		
Mar. 26, 1974	Community Services—Juveniles.....	280,000	278,330
		4,509,000	4,482,610
	<b>Ministry of the Solicitor General</b>		
	Ministry Administration Program:		
Mar. 26, 1974	Main Office.....	40,000	34,641
Feb. 26, 1974	Task Force on Policing.....	90,000	86,305
	Public Safety Program:		
	Program Administration:		
July 17, 1973	Order..... \$ 100,000		
April 16, 1974	Order..... 5,000		
		105,000	100,841
Mar. 26, 1974	Centre of Forensic Sciences.....	44,000	31,740
April 16, 1974	Emergency Measures.....	3,000	—
April 16, 1974	Fire Safety Services.....	16,000	—
	Coroners' Investigations and Inquests:		
Mar. 26, 1974	Order..... \$ 190,000		
April 16, 1974	Order..... 6,000		
		196,000	191,455
Feb. 26, 1974	Forensic Pathology.....	50,000	34,022
	Supervision of Police Forces Program:		
	Police Training:		
Mar. 26, 1974	Order..... \$ 36,000		
April 16, 1974	Order..... 2,000		
		38,000	34,612
	Ontario Provincial Police—		
	Administration Program:		
	Administration:		
Feb. 12, 1974	Order..... \$ 160,000		
April 16, 1974	Order..... 3,000		
		163,000	127,480
	Financial Management:		
Feb. 12, 1974	Order..... \$ 12,000		
April 16, 1974	Order..... 5,000		
		17,000	16,212
Feb. 12, 1974	Staff Inspection.....	51,000	33,602
	In-Service Training:		
Feb. 12, 1974	Order..... \$ 32,000		
April 16, 1974	Order..... 1,000		
		33,000	26,628
	Properties:		
Feb. 12, 1974	Order..... \$ 8,000		
April 16, 1974	Order..... 1,000		
		9,000	5,372
Feb. 12, 1974	Ontario Provincial Police Auxiliary.....	9,000	5,592
Feb. 12, 1974	Safety and Information.....	11,000	—

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of the Solicitor General—Continued</b>		
	Ontario Provincial Police—Criminal and General Law Enforcement Program:		
	Special Services:		
Feb. 12, 1974	Order . . . . .	\$ 227,000	
April 16, 1974	Order . . . . .	4,000	
		231,000	51,733
	Transport:		
Feb. 12, 1974	Order . . . . .	\$ 31,000	
April 16, 1974	Order . . . . .	2,000	
April 16, 1974	Order . . . . .	158,000	
		191,000	100,279
	Communications:		
Feb. 12, 1974	Order . . . . .	\$ 32,000	
April 16, 1974	Order . . . . .	2,000	
		34,000	33,188
	Quartermaster Stores:		
Jan. 22, 1974	Order . . . . .	\$ 35,000	
April 16, 1974	Order . . . . .	1,000	
		36,000	—
Feb. 12, 1974	Law Enforcement—Uniform . . . . .	1,596,000	1,006,897
April 16, 1974	Law Enforcement—Civilian . . . . .	24,000	—
Jan. 15, 1974	OPP Security Corps . . . . .	225,100	174,021
	Registration:		
Feb. 12, 1974	Order . . . . .	\$ 12,000	
April 16, 1974	Order . . . . .	2,000	
		14,000	8,311
	Ontario Provincial Police—Traffic Law Enforcement Program:		
	Transport:		
Feb. 12, 1974	Order . . . . .	\$ 31,000	
April 16, 1974	Order . . . . .	2,000	
April 16, 1974	Order . . . . .	158,000	
		191,000	100,283
	Communications:		
Feb. 12, 1974	Order . . . . .	\$ 32,000	
April 16, 1974	Order . . . . .	2,000	
		34,000	33,188
	Quartermaster Stores		
Jan. 22, 1974	Order . . . . .	\$ 35,000	
April 16, 1974	Order . . . . .	1,000	
		36,000	—
Feb. 12, 1974	Law Enforcement—Uniform . . . . .	1,596,000	1,006,599
April 16, 1974	Law Enforcement—Civilian . . . . .	24,000	—
		5,107,100	3,243,001

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of Agriculture and Food</b>		
	Ministry Administration Program:		
April 16, 1974	Legal Services .....	4,000	2,726
April 16, 1974	Personnel Services .....	4,000	3,756
April 16, 1974	Financial and Administrative Services .....	10,000	389
	Agricultural Production Program:		
Mar. 26, 1974	Livestock and Veterinary Services .....	44,000	—
	Agricultural Marketing Program:		
April 9, 1974	Marketing .....	46,000	—
April 16, 1974	Quality Control of Agricultural Products .....	130,000	71,408
	Agricultural Education and Research Program:		
Mar. 26, 1974	Administration .....	80,000	78,227
April 16, 1974	Education .....	100,000	35,686
		418,000	192,192
	<b>Ministry of the Environment</b>		
	Ministry Administration Program:		
	Main Office:		
Dec. 11, 1973	Order .....	\$ 107,000	
Feb. 12, 1974	Order .....	71,100	
		178,100	167,613
Feb. 12, 1974	Strategic Planning .....	297,300	103,276
April 2, 1974	Information Services .....	25,000	5,824
April 2, 1974	Financial Services .....	65,000	—
	Administrative Services:		
April 2, 1974	Order .....	\$ 24,000	
April 9, 1974	Order .....	14,000	
		38,000	37,263
	Personnel Administration:		
April 2, 1974	Order .....	\$ 13,000	
April 9, 1974	Order .....	9,000	
		22,000	21,970
	Data Processing:		
April 9, 1974	Order .....	\$ 5,000	
April 16, 1974	Order .....	5,000	
		10,000	9,906
	Water Management Program:		
May 28, 1974	Water Supply and Pollution Control .....	340,000	—
	Air and Land Pollution Control Program:		
	Pesticides Control Service:		
Feb. 12, 1974	Order .....	\$ 75,000	
April 2, 1974	Order .....	53,000	
		128,000	127,110
		1,103,400	472,962



DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
	<b>Ministry of Industry and Tourism</b>	\$	\$
	Ministry Administration Program:		
Mar. 5, 1974	Main Office.....	107,000	63,873
	Administrative Services:		
Mar. 5, 1974	Order..... \$ 56,000		
April 23, 1974	Order..... 6,000		
		62,000	60,768
Mar. 5, 1974	Personnel Services.....	2,000	—
Mar. 26, 1974	Ontario House.....	4,700	—
Jan. 22, 1974	Special Projects.....	123,600	120,881
	Ontario Place Corporation Program:		
	Ontario Place Operations:		
Feb. 5, 1974	Order..... \$ 147,000		
Mar. 26, 1974	Order..... 171,100		
		318,100	318,100
Feb. 5, 1974	Ontario Place Development.....	360,000	188,900
		977,400	752,522
	<b>Ministry of Labour</b>		
	Ministry Administration Program:		
	Main Office:		
Oct. 30, 1973	Order..... \$ 129,000		
Mar. 26, 1974	Order..... 30,000		
April 9, 1974	Order..... 10,000		
		169,000	151,700
April 9, 1974	Finance and Administration.....	30,000	8,894
	Industrial Relations Program:		
Feb. 19, 1974	Program Administration.....	75,000	52,674
Jan. 22, 1974	Labour Management Arbitration Commission.....	100,000	68,014
	Human Rights Commission Program:		
April 9, 1974	Office of the Chairman.....	4,000	3,648
		378,000	284,930
	<b>Ministry of Natural Resources</b>		
	Ministry Administration Program:		
	Field Offices:		
Jan. 22, 1974	Order..... \$ 500,000		
Feb. 4, 1974	Order..... 1,063,000		
April 9, 1974	Order..... 65,000		
April 16, 1974	Order..... 250,000		
		1,878,000	1,877,492
April 16, 1974	Administrative Services.....	22,500	12,038
Jan. 29, 1974	Legal Services.....	99,000	55,738
	Land Management Program:		
Mar. 26, 1974	Conservation Authorities.....	3,612,000	3,508,456

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of Natural Resources—Continued</b>		
	Outdoor Recreation Program:		
	Fish and Wildlife:		
Mar. 26, 1974	Order.....	\$ 46,400	
April 9, 1974	Order.....	500,000	
		546,400	546,008
	St. Lawrence Parks Commission:		
Mar. 26, 1974	Order.....	\$ 69,000	
April 9, 1974	Order.....	129,000	
		198,000	190,623
	Resource Products Program:		
	Commercial Fish and Fur:		
Feb. 12, 1974	Order.....	\$ 150,000	
April 23, 1974	Order.....	19,000	
		169,000	167,920
		6,524,900	6,358,275
	<b>Ministry of Transportation and Communications</b>		
	Ministry Administration Program:		
	Main Office:		
Mar. 15, 1974	Order.....	\$ 580,000	
April 16, 1974	Order.....	170,000	
		750,000	711,898
April 16, 1974	Audit and Management Services.....	100,000	94,918
	Maintenance Program:		
April 16, 1974	General Maintenance.....	1,900,000	1,375,568
April 16, 1974	Municipal Maintenance.....	3,000,000	2,900,759
April 16, 1974	Supply and Special Services.....	250,000	105,738
	Construction Program:		
April 16, 1974	Construction and Property Acquisition.....	2,200,000	1,420,159
April 16, 1974	Municipal Construction.....	9,000,000	5,855,485
	Public Operations Program:		
April 16, 1974	GO Transit.....	800,000	710,706
April 16, 1974	Air Services.....	85,000	78,271
April 16, 1974	Ontario Telephone Services Commission.....	3,000	1,876
	Drivers and Vehicles Program:		
April 16, 1974	Vehicle Registration.....	75,000	74,160
April 16, 1974	Vehicle Safety Inspection.....	75,000	74,610
	Common Carriers Program:		
April 16, 1974	Ontario Highway Transport Board.....	5,000	3,507
	Ontario Seasonal Employment Program:		
April 16, 1974	Ontario Seasonal Employment.....	275,000	247,513
		18,518,000	13,655,168

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of Energy</b>		
	Ontario Energy Board Program:		
	Ontario Energy Board:		
Jan. 22, 1974	Order . . . . .	\$ 225,800	
Mar. 26, 1974	Order . . . . .	150,000	
		375,800	369,367
		375,800	369,367
	<b>Ministry of Colleges and Universities</b>		
	Ministry Administration Program:		
April 9, 1974	Main Office . . . . .	16,000	6,643
Mar. 5, 1974	Common Services . . . . .	268,300	250,771
	University Support Program:		
Mar. 5, 1974	Program Administration . . . . .	63,900	39,362
Mar. 5, 1974	Grants for Universities and Related Organizations	1,311,000	490,809
Mar. 5, 1974	Committee on University Affairs . . . . .	7,900	3,434
	Cultural and General Education Program:		
	Provincial Institutions and Organizations:		
Feb. 26, 1974	Order . . . . .	\$ 112,500	
April 16, 1974	Order . . . . .	80,000	
		192,500	106,664
Jan. 3, 1974	Local and Regional Organizations . . . . .	60,000	35,828
Mar. 12, 1974	Province of Ontario Council for the Arts . . . . .	70,000	70,000
		1,989,600	1,003,511
	<b>Ministry of Community and Social Services</b>		
	Ministry Administration Program:		
	Main Office:		
Jan. 17, 1974	Order . . . . .	\$ 15,000	
Jan. 22, 1974	Order . . . . .	95,900	
Mar. 12, 1974	Order . . . . .	125,500	
April 2, 1974	Order . . . . .	7,000	
April 2, 1974	Order . . . . .	3,900	
		247,300	234,412
	Soldiers' Aid Commission		
Feb. 26, 1974	Order . . . . .	\$ 2,400	
Mar. 26, 1974	Order . . . . .	10,000	
		12,400	12,037
	Regional Administration:		
Mar. 26, 1974	Order . . . . .	\$ 99,000	
April 2, 1974	Order . . . . .	5,200	
April 16, 1974	Order . . . . .	74,000	
		178,200	178,132
	Assistance and Rehabilitation Services Program:		
	Rehabilitation Services:		
Mar. 12, 1974	Order . . . . .	\$ 227,000	
April 2, 1974	Order . . . . .	22,100	
		249,100	106,356

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of Community and Social Services—Continued</b>		
April 2, 1974	Children's Services Program: Day Nursery Services . . . . .	12,200	—
Mar. 26, 1974	Community Services Program: Citizenship . . . . .	15,000	—
Feb. 26, 1974	Community Development: Order . . . . . \$ 5,800		
April 2, 1974	Order . . . . . 7,500		
April 9, 1974	Order . . . . . 4,000		
		17,300	15,037
Feb. 19, 1974	Sports and Recreation . . . . .	250,000	27,365
		981,500	573,339
	<b>Ministry of Education</b>		
Mar. 5, 1974	Ministry Administration Program: Minister's Office . . . . .	84,300	54,350
April 9, 1974	General Administration . . . . .	16,023,600	15,342,532
May 28, 1974	Public Information Services . . . . .	4,200	4,196
April 2, 1974	Education Data Processing Services . . . . .	40,400	39,923
Mar. 12, 1974	Education Records: Order . . . . . \$ 36,600		
April 2, 1974	Order . . . . . 7,000		
		43,600	30,361
April 2, 1974	Legislation Services . . . . .	19,000	18,967
May 28, 1974	Library and Information Services . . . . .	5,100	5,087
April 2, 1974	Management Services: Order . . . . . \$ 17,700		
May 28, 1974	Order . . . . . 300		
		18,000	17,957
April 2, 1974	Education Development and Administration Program: Correspondence Courses . . . . .	11,900	—
Mar. 12, 1974	School Business and Finance: Order . . . . . \$24,600,000		
Mar. 26, 1974	Order . . . . . 150,000		
		24,750,000	23,627,043
		41,000,100	39,140,416
	<b>Ministry of Health</b>		
Mar. 5, 1974	Treatment and Rehabilitation Program: Extended Care and Rehabilitation Services . . . . .	8,765,000	5,048,389
April 2, 1974	Psychiatric and Retardation Services . . . . .	4,950,000	808,599
		13,715,000	5,856,988
	<b>Total Management Board Orders . . . . .</b>	<b>113,460,000</b>	<b>92,803,857</b>



## EXHIBIT 5

**REVENUE AND EXPENDITURE AUDITS**  
**OFFICE OF PROVINCIAL AUDITOR**  
**Fiscal Year Ended March 31, 1974**

Revenue and Trust Funds, Ministry of Agriculture and Food  
Revenue and Trust Funds, Agricultural Research Institute of Ontario,  
Ministry of Agriculture and Food  
Revenue and Trust Funds, Centralia College of Agricultural Technology,  
Ministry of Agriculture and Food  
Revenue and Trust Funds, Ridgetown College of Agricultural Technology,  
Ministry of Agriculture and Food  
Transfer Payments, Ministry of Agriculture and Food  
Revenue, Ministry of the Attorney General  
Revenue and Expenditure, Civil Service Commission  
Revenue, Ministry of Colleges and Universities  
Administrative Expenditures and Revenue, Ministry of Community and  
Social Services  
Revenue and Trust Funds, D'Arcy Place, Ministry of Community and  
Social Services  
Revenue and Trust Funds, Southwestern Regional Centre,  
Ministry of Community and Social Services  
Revenue and Trust Funds, Surrey Place Centre, Ministry of  
Community and Social Services  
Transfer Payments, Ministry of Community and Social Services  
Revenue, Ministry of Consumer and Commercial Relations  
Expenditure, Ministry of Correctional Services  
Revenue, Ministry of Correctional Services  
Revenue and Trust Funds, Brampton Adult Training Centre,  
Ministry of Correctional Services  
Revenue and Trust Funds, Burwash Correctional Centre,  
Ministry of Correctional Services  
Revenue and Trust Funds, Guelph Correctional Centre,  
Ministry of Correctional Services  
Revenue and Trust Funds, Kawartha Lakes School, Lindsay,  
Ministry of Correctional Services  
Revenue and Trust Funds, Millbrook Correctional Centre,  
Ministry of Correctional Services  
Revenue and Trust Funds, Mimico Correctional Centre,  
Ministry of Correctional Services  
Revenue and Trust Funds, Rideau Correctional Centre,  
Ministry of Correctional Services  
Revenue and Trust Funds, Thunder Bay Correctional Centre,  
Ministry of Correctional Services  
Revenue and Trust Funds, Vanier Centre for Women, Brampton,  
Ministry of Correctional Services  
Administrative Expenditure, Ministry of Education  
Revenue, Ministry of Education

Transfer Payments, Ministry of Education  
Revenue and Expenditure, Ministry of Energy  
Disbursements for Municipal and Provincial Water and Sewage Projects,  
Ministry of the Environment  
Revenue and Expenditure, Ministry of the Environment  
Acquisition and Construction of Physical Assets,  
Ministry of Government Services  
Bank Reconciliations and Related Activities, Ministry of Government Services  
Expenditure, Senior Compensation Plan Payroll,  
Ministry of Government Services  
A Review of Catering Agreements, Ministry of Government Services  
Revenue, Ministry of Government Services  
Revenue, Ministry of Health  
Revenue and Trust Funds, Brockville Psychiatric Hospital, Ministry of Health  
Revenue and Trust Funds, Children's Psychiatric Research Institute, London,  
Ministry of Health  
Revenue and Trust Funds, Hamilton Psychiatric Hospital, Ministry of Health  
Revenue and Trust Funds, Kingston Psychiatric Hospital, Ministry of Health  
Revenue and Trust Funds, Lakeshore Psychiatric Hospital, Ministry of Health  
Revenue and Trust Funds, London Psychiatric Hospital, Ministry of Health  
Revenue and Trust Funds, Dr. Mackinnon Phillips Hospital, Owen Sound,  
Ministry of Health  
Revenue and Trust Funds, Mental Health Centre, Penetanguishene,  
Ministry of Health  
Revenue and Trust Funds, North Bay Psychiatric Hospital, Ministry of Health  
Revenue and Trust Funds, Queen Street Mental Health Centre,  
Ministry of Health  
Revenue and Trust Funds, St. Thomas Psychiatric Hospital, Ministry of Health  
Revenue and Trust Funds, Thistletown Regional Centre, Ministry of Health  
Transfer Payments for General Hospitals and Related Activities,  
Ministry of Health  
Revenue and Expenditure, Ministry of Housing  
Expenditure, Ministry of Industry and Tourism  
Revenue, Ministry of Industry and Tourism  
Revenue, Deposit and Trust Funds and Expenditure, Ministry of Labour  
Revenue, Mining Recorder's Office, Kirkland Lake,  
Ministry of Natural Resources  
Revenue, Mining Recorder's Office, Thunder Bay,  
Ministry of Natural Resources  
Revenue, Mining Recorder's Office, Timmins, Ministry of Natural Resources  
Revenue, Mining Recorder's Office, Toronto, Ministry of Natural Resources  
Revenue, Ministry of Natural Resources  
Transfer Payments, Ministry of Natural Resources  
Revenue and Administrative Expenditure, Ministry of Revenue  
Revenue, Expenditure and Trust Funds, Ministry of the Solicitor General  
Administrative Expenditure, Ministry of Transportation and Communications  
Revenue, Ministry of Transportation and Communications

Revenue, Ontario Highway Transport Board, Ministry of  
Transportation and Communications  
Revenue, Registrar of Motor Vehicles, Ministry of  
Transportation and Communications  
Administrative Expenditure, Ministry of Treasury, Economics  
and Intergovernmental Affairs  
Finance Management Branch, Ministry of Treasury, Economics  
and Intergovernmental Affairs  
Revenue, Ministry of Treasury, Economics and Intergovernmental Affairs  
Securities Branch, Ministry of Treasury, Economics and  
Intergovernmental Affairs  
Transfer Payments, Ministry of Treasury, Economics and  
Intergovernmental Affairs  
Revenue and Expenditure, Chief Election Officer, Office of the Speaker  
Office of the Premier, Cabinet Office, Justice Policy, Resources  
Development Policy, and Social Development Policy  
Federal-Provincial Cost Sharing Agreements

NOTE: Generally speaking, this listing includes audits completed between the date of preparation (October 31, 1973) of our 1972-73 Report and the date of preparation (October 31, 1974) of our 1973-74 Report. In all cases at least a portion of the period covered by the audit fell within the year ended March 31, 1974.

**CROWN AGENCY AUDITS  
OFFICE OF PROVINCIAL AUDITOR  
Fiscal Year Ended March 31, 1974**

- (a) Audit responsibility pursuant to appointment under the various related statutes.

Accountant's Office, Supreme Court of Ontario  
 Agricultural Rehabilitation and Development Directorate of Ontario  
 Alcoholism and Drug Addiction Research Foundation  
 The Centennial Centre of Science and Technology  
 \*The Crop Insurance Commission of Ontario  
 Eastern Ontario Development Corporation  
 The Fund for Milk and Cream Producers, The Milk Commission  
     of Ontario  
 Health Insurance Registration Board  
 The John Graves Simcoe Memorial Foundation  
 The Law Society of Upper Canada, Legal Aid Fund  
 \*Liquor Control Board of Ontario  
 Liquor Licence Board of Ontario  
 The McMichael Canadian Collection  
 The Niagara Parks Commission (October 31, 1973)  
 \*Northern Ontario Development Corporation  
 The Office of The Official Guardian  
 The Ontario Cancer Treatment and Research Foundation  
     (December 31, 1973)  
 Ontario Deposit Insurance Corporation (December 31, 1973)  
 \*Ontario Development Corporation  
 \*The Ontario Education Capital Aid Corporation  
 The Ontario Educational Communications Authority  
 Ontario Food Terminal Board  
 The Ontario Heritage Foundation  
 \*Ontario Housing Corporation, including Ontario Housing  
     Corporation—Metropolitan Toronto Federal-Provincial Projects  
     (December 31, 1973)  
 \*The Ontario Junior Farmer Establishment Loan Corporation  
 \*The Ontario Municipal Improvement Corporation  
 \*Ontario Northland Transportation Commission (December 31, 1973)  
 \*Ontario Place Corporation  
 The Ontario Producers, Processors, Distributors and  
     Consumers Food Council  
 Ontario Racing Commission  
 Ontario Stock Yards Board (June 30, 1974)  
 \*Ontario Student Housing Corporation (December 31, 1973)  
 The Ontario Telephone Development Corporation (December 31, 1973)  
 \*The Ontario Universities Capital Aid Corporation  
 Pension Commission of Ontario



Province of Ontario Council for the Arts  
Public Service Superannuation Fund  
The Public Trustee of The Province of Ontario  
The Sheridan Park Corporation  
The St. Lawrence Parks Commission

- (b) Audit responsibility pursuant to appointment by shareholders or membership bodies.

Canadian Conference on Historical Resources  
\*Housing Corporation Limited (December 31, 1973)  
Ontario Canteen Fund  
Ontario Industrial Training Institute  
Soldiers' Aid Commission  
Star Transfer Limited (December 31, 1973)

- (c) Audit responsibility pursuant to the provisions of The Audit Act.

Commissioner of Agricultural Loans (Terminated in 1973-74)  
Legislative Assembly Retirement Allowances Account  
Motor Vehicle Accident Claims Fund  
\*The Province of Ontario Savings Office  
Settlers' Loan Commissioner (Terminated in 1973-74)

\*Financial Statements reproduced in Volume 2 of the Public Accounts, 1973-74.

NOTE: As indicated, two of the Crown Agencies shown under section (c) were terminated in 1973-74. In these cases the audit covered the fiscal period ended on the effective termination date. In all other cases the audit covered the fiscal year of the Agency concerned. In most instances the fiscal year ended on March 31, 1974. Where the Agency's fiscal year ended on a date other than March 31, 1974, such date has been indicated in parentheses.

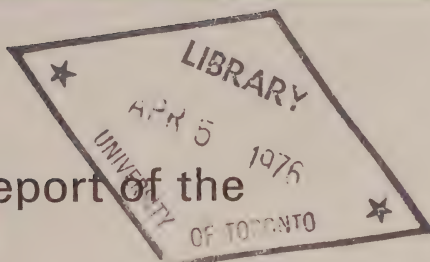








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report of the

PROVINCIAL AUDITOR

to the

LEGISLATIVE ASSEMBLY

of Ontario

for the year ended March 31, 1975





report of the

PROVINCIAL AUDITOR

to the

LEGISLATIVE ASSEMBLY

of Ontario

for the year ended March 31, 1975

TORONTO  
PRINTED AND PUBLISHED BY THE QUEEN'S PRINTER  
1975



THE HONOURABLE

PAULINE M. MCGIBBON, O.C., B.A., LL.D., D.U.(Ott.), B.A.A. (Theatre)

*Lieutenant Governor of the Province of Ontario*

Madam:

I have the honour to present my report for the fiscal year ended March 31, 1975, in accordance with the requirements of The Audit Act.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'F. N. Scott', written in a cursive style.

F. N. SCOTT, C.A.,  
Provincial Auditor.

Toronto, November 28, 1975.



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## OFFICE OF PROVINCIAL AUDITOR

**1. Audit Responsibilities.** The audit responsibilities of the Provincial Auditor are twofold, and involve the examination of:

- (i) The accounts of the Province in accordance with his appointment as auditor under The Audit Act.
- (ii) The accounts of Boards, Commissions and other Crown Agencies in accordance with his appointment as auditor under various related statutes or other appropriate authority.

The examination of the accounts of the Province for the year ended March 31, 1975 was made in conformity with section 19 of The Audit Act which reads as follows:

“19.—(1) The Auditor shall, on behalf of the Assembly, examine in such manner as he considers necessary all accounts of receipts and disbursements of public moneys forming part of the Consolidated Revenue Fund whether held in trust or otherwise in order to ascertain that adequate regulations and procedures are in operation,

- (a) to secure an effective check on the assessment, collection and allocation of revenue; and
- (b) to ensure that expenditures have been made in accordance with legislative authority. 1971, c. 54, s. 4.

(2) The Auditor shall satisfy himself as to the correctness of the accounts mentioned in subsection 1. R.S.O. 1970, c. 36, s. 19(2).”

All Ministries were subject to examination in accordance with section 19 throughout the 1974-75 fiscal year, the first year that all revenue and expenditure examinations were conducted on a post-audit basis. A listing of the revenue and expenditure audits covered by this Report appears in Exhibit 8.

For the fiscal year ended March 31, 1975 the Provincial Auditor had audit responsibility for forty-four Boards, Commissions and other Crown Agencies pursuant to his appointment as auditor under the various related statutes. These Agencies are listed in Exhibit 9 to this Report. Four of these Agencies were inactive during 1974-75. Further comment in this regard is contained in section 137.

The Provincial Auditor had audit responsibility during the year for six other Agencies as a result of his appointment as auditor by shareholders or membership bodies. A listing of these Agencies also appears in Exhibit 9.

Exhibit 9 lists three other operations for which the Provincial Auditor's audit responsibility has not been specifically designated. The Provincial Auditor has undertaken to audit them on the same basis as Crown Agencies. In each case the audit is made in accordance with the Provincial Auditor's responsibilities under The Audit Act.

It should be noted that not all Crown Agencies are audited by the Provincial Auditor. In accordance with relevant legislation, public accountants have been designated as auditors for certain Agencies. These Agencies include the Art Gallery of Ontario, Clarke Institute of Psychiatry, Ontario Cancer Institute, Ontario Hydro, The Ontario Institute for Studies in Education, Ontario Mental Health Foundation, Ontario Municipal Employees Retirement Board, Ontario Research Foundation, The Royal Ontario Museum, St. Clair Parkway Commission and the Teachers' Superannuation Commission.

Public accountants have also been designated as auditors for the Ontario Land Corporation, Workmen's Compensation Board and the Toronto Area Transit Operating Authority. However, in these cases, unlike those cited in the preceding paragraph, the governing legislation does involve the Provincial Auditor. With respect to the Ontario Land Corporation and Workmen's Compensation Board, the legislation requires that the audit by the appointed auditors be conducted under the direction of the Provincial Auditor. With respect to the Toronto Area Transit Operating Authority, the legislation stipulates that the auditor's report and working papers be made available to the Provincial Auditor.

**2. Reporting Responsibilities.** Under section 20 of The Audit Act, the Provincial Auditor is required to report to the Legislative Assembly on the results of his examinations. Section 20 reads as follows:

"20.—(1) The Auditor shall make an annual report to the Assembly respecting the fiscal year then closed,

- (a) as to his examination of accounts of receipts and payments of public moneys;
- (b) as to his examination of the statements of assets and liabilities, the Consolidated Revenue Fund, the net general revenue and expenditures and related statements in which he shall express an opinion as to whether the statements present fairly the financial position of the Province and the results of its operations and whether the statements were prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period;



- (c) as to all special warrants issued and the amounts expended thereunder;
- (ca) as to all cheques for the issue of which he has refused to certify, citing the date and the amount of any expenditures incurred in consequence thereof;
- (d) as to all orders of the Management Board of Cabinet issued for the authorization of expenditure in excess of appropriations, citing the date, the amount authorized and the amount expended;
- (e) as to any important change in the extent or character of any examination made by him; and
- (f) as to such matters as he desires to bring to the attention of the Assembly. R.S.O. 1970, c. 36, s. 20(1); 1971, c. 54, s. 5(1).

(2) The report of the Auditor shall be delivered to the Lieutenant Governor in Council and laid before the Assembly not later than the tenth day of the first session held in the following calendar year. 1971, c. 54, s. 5(2)."

For reference and identification purposes the above legislative provisions can be related to the content of this Report, or otherwise commented upon, as follows:

- 20(1)(a) } : Refer to "Comments on Revenue and Expenditure Transactions" (sections 80-135) and "Comments on Crown Agency Transactions" (sections 136-154).
- 20(1)(f) }
- 20(1)(b) : Refer to "Expression of Opinion on the Financial Statements of the Province" (section 8), "Comments on Assets and Liabilities" (sections 13-28) and "Comments on Consolidated Revenue Fund" (sections 29-79).
- 20(1)(c) : There were no Special Warrants issued during the 1974-75 fiscal year (section 132).
- 20(1)(ca) : This provision is no longer applicable as, effective with the 1974-75 fiscal year, all expenditure review is on a post-audit basis.
- 20(1)(d) : Refer to Exhibit 5.
- 20(1)(e) : No significant changes were made during the year in the extent or character of my examination.

As previously indicated, in the case of certain Crown Agencies audited by public accountants, relevant legislation contains no reference to direction by the Provincial Auditor, and makes no provision for any access by the Provincial Auditor to the records of either the Agency or the appointed auditor. Consequently, the Provincial Auditor is not able to comment with respect to these Agencies. The absence of such comment in this Report is consistent with section 21 of The Audit Act which reads:

“Nothing in this Act shall be construed to require the Auditor to examine or report upon the accounts of any agency of the Crown if the Lieutenant Governor in Council, in pursuance of statutory authority in that behalf, has designated another auditor to examine and report upon the accounts of such agency. R.S.O. 1970, c. 36, s. 21.”

**3. Organization and Staffing.** The Office of Provincial Auditor is divided into four branches, each of which is administered by a Director:

Public Accounts Audit Branch: audits the Public Accounts of the Province and public debt transactions. Responsible for the preparation of material for the Auditor's Report and liaison with the Standing Committee on Public Accounts.

Revenue Audit Branch: audits payments into the Consolidated Revenue Fund—e.g. from various tax sources, Federal subsidy programs, etc.

Expenditure Audit Branch: audits payments out of the Consolidated Revenue Fund—e.g. administrative expenditure, grants and subsidies, etc.

Crown Agency Audit Branch: audits Boards, Commissions and other Crown Agencies. Where specified by legislation, directs or reviews audits of Agencies performed by public accountants.

An Organization Chart of the Office is presented in Exhibit 7 to this Report.

At the date of preparation (October 31, 1975) of this Report, the staff of the Office numbered seventy-three, thirty-two of whom are professionally qualified accountants. Seventeen employees are enrolled in various stages of courses leading to professional qualification through one of the following: The Certified General Accountants Association of Ontario, The Institute of Chartered Accountants of Ontario, or The Society of Industrial Accountants of Ontario.

**4. Approval of Office of Provincial Auditor for the Training of C.A. Students.** During the 1974-75 fiscal year the Office made representation to The Institute of Chartered Accountants of Ontario for approval to train C.A. students. The Institute reviewed the operation of the Office and was satisfied that adequate training would be provided. Accordingly, the necessary Institute by-law was drafted and reads as follows:

“It is proposed that the Provincial Auditor of Ontario be classified as a practising member for student registration purposes and thus be able to train CA students.”

The by-law was approved by the membership of the Institute at the annual meeting held on June 9, 1975. At the present time, six of seventeen students on staff are enrolled as students in The Institute of Chartered Accountants of Ontario.

The status of the Office of Provincial Auditor with respect to the training of C.A. students is similar to that of the Office of the Auditor General of Canada. This latter Office has been approved for the training of C.A. students for a number of years. In addition, the Offices of all but one of the other Provincial Auditors have been similarly approved by the respective Provincial Institutes of Chartered Accountants.

**5. Meeting of Legislative Auditors.** Commencing in 1973 the Provincial Auditors and the Auditor General of Canada have met annually to discuss matters of mutual interest and concern, and to review the role and direction of their respective Offices. These meetings provide an excellent forum for the exchange of ideas and information, and for the development of new and better ways of discharging audit responsibilities. The third annual meeting was held in Quebec City on September 22-24, 1975, and was attended by four members of this Office.

**6. Examination of the Accounts of the Office of Provincial Auditor.** We have been advised that Order in Council approval is being sought for the appointment of a public accounting firm to audit the accounts and financial transactions of the Office of Provincial Auditor for the three year period ended March 31, 1975. This appointment is being made in accordance with The Audit Act, section 25, which reads as follows:

“An officer, appointed by the Lieutenant Governor in Council, shall examine the accounts relating to the disbursements of public moneys on behalf of the Auditor and his staff and such officer shall report thereon to the Lieutenant Governor in Council.”

## PUBLIC ACCOUNTS

**7. Preparation of the Public Accounts.** The Public Accounts are prepared under the direction of the Treasurer of Ontario as provided for in section 13 of The Ministry of Treasury, Economics and Intergovernmental Affairs Act, 1972. This section reads as follows:

"The Public Accounts for the 1971-72 fiscal year and subsequent years shall be prepared under the direction of the Treasurer and shall be delivered to the Lieutenant Governor in Council and laid before the Assembly not later than the tenth day of the first session held in the following calendar year."

Our audit of the Public Accounts consists of an examination of the financial statements of the Province appearing in Volume 1, and on which I express an opinion. Volume 2 contains reproductions of audited financial statements of Crown Agencies which have an advance from the Province or in which the Province has an investment. The details of expenditure appearing in Volume 3 are not reviewed by this office prior to publication but are subject to examination during our subsequent post-audit of the Ministry concerned.

**8. Expression of Opinion on the Financial Statements of the Province.** I report that I have examined the Statement of Assets and Liabilities of the Province of Ontario as at March 31, 1975, the Statement of Consolidated Revenue Fund, the Statement of Revenue, the Statement of Expenditure, and the related financial statements appearing in Volume 1 of the Public Accounts for the year ended on that date. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion these financial statements present fairly the financial position of the Province as at March 31, 1975 and the results of its operations for the year then ended, and were prepared in accordance with generally accepted accounting principles which, except for the changes in accounting treatment outlined under the heading of "Basis of Reporting" on page 8-9 of Volume 1 of the Public Accounts, were applied on a basis consistent with that of the preceding year. The generally accepted accounting principles are those relative to government accounting and are fully described under the previously referenced "Basis of Reporting".

**9. Basis of Reporting.** The "Basis of Reporting" referred to in my expression of opinion on the financial statements of the Province reads as follows:

"The financial statements of the Province of Ontario reflect the use of the "cash flow" principle of accounting. This method, modified to allow



an additional thirty days to pay for goods and services pertaining to the fiscal year just ended, offers a precise measurement of government activity for a fiscal year. This, rather than the "accrual" principle, is utilized because of two fundamental characteristics of government reporting which set it apart from commercial practice.

The first characteristic is the constitutional principle which underlies the system. The Legislature votes sums of money to specified ministries for stated purposes. The Legislature provides for the required money by authorizing the government to levy taxes or to borrow. The accounts of the government therefore are a record of stewardship and reflect the accountability to the Legislature for the management and disposition of monies levied, entrusted and spent. The purpose of the public accounts in government is to explicitly display that stewardship as revenue flows into and expenditure flows out of the Consolidated Revenue Fund.

The second characteristic is that there is no direct commercial relationship between government revenues and government expenditures. This obviates the "matching" benefit provided by accrual accounting. Expenditures are incurred for the operation of a wide range of services which have been established by government policy. Taxation, the major source of revenues, is imposed on those parts of the economy best able to finance government programs and is also a fiscal policy instrument for the government in terms of its incidence and in its relationship to expenditures.

The transactions of the Province of Ontario are presented in summary form according to the three distinct areas of government activity through the Consolidated Revenue Fund:

'Budgetary Transactions' are operational activities which include the revenues raised through taxation, premiums, fees, licences and permits, payments from the federal government under shared-cost programs, and income from investments. Expenditures on government programs include payments for goods and services, interest on the public debt, salaries, transfer payments to individuals, municipalities and institutions under various social programs, subsidies and grants and the acquisition or creation of fixed assets. Government assets are generally of lasting value and may tend even to appreciate over time; e.g. parkland, public works or the highway system. Their benefit to future taxpayers is not significantly different from expenditures on education or health care. For these reasons Provincial expenditures on fixed assets are treated as non-recoverable expenditures of each fiscal year. The extent to which revenue exceeds or falls short of expenditure directly decreases or increases the net debt.

'Non-Budgetary Transactions' are the lending, investment and trust administration functions which include, as distinct from expenditure, the government lending and investment activity in various crown corporations, agencies and municipalities. All of these loans and advances are repayable or represent equity holdings supported by the assets of the corporations. Net changes are reflected in the year-to-year fluctuation on the Statement of Assets and Liabilities. Also included in this category is the activity within deposit, trust and certain special purpose accounts, all of which bear directly on the Statement of Assets and Liabilities.

'Debt Transactions' are the borrowing and repayment transactions which include obligations issued to both non-public and public sources of funds and are reflected directly in the Statement of Assets and Liabilities.

The Net Debt of the Province is the excess of liabilities over revenue-producing and realizable assets. Year-to-year changes in net debt are related directly to the amount by which revenues exceed or are less than expenditures on budgetary transactions.

With respect to the financial operations of provincial crown corporations, agencies, boards and commissions, the financial statements presented in this Report reflect (i) the year-end position of the advances to or the investments in these entities which are made from the Consolidated Revenue Fund and (ii) the extent to which their operations have been financed from or have contributed to the Fund for the year.

#### 1975 CHANGES IN ACCOUNTING TREATMENT

(1) Ontario debentures held as investments.

Prior to April 1, 1974, Ontario debentures held at the year end were valued at par and reported as a deduction from Debentures on the Statement of Assets and Liabilities. Commencing with 1974-75, Ontario debentures held at the year end are valued at cost and are included with Cash, Temporary Investments and Marketable Securities. The 1973-74 comparative amounts have been restated as explained on page 30 in the Schedules to Statement of Assets and Liabilities.

(2) Advances from the Ontario Municipal Employees Retirement Fund. The Ontario Municipal Employees Retirement Fund deposits surplus funds with the Province and on December 31 each year receives a debenture for all funds deposited in the calendar year. In prior years deposits received between January 1 and March 31 were reported as a Deposit account on the Statement of Assets and

Liabilities and the activity of the account was recorded as Non-Budgetary Transactions in the Statement of Consolidated Revenue Fund. In 1974-75, the accounting treatment has been revised to include such funds with Advances Payable on the Statement of Assets and Liabilities and as Debt Transactions (Proceeds of Loans) in the Statement of Consolidated Revenue Fund. The 1973-74 comparative amounts have been restated to reflect this change in accounting."

Reference is made under the foregoing caption of 'Non-Budgetary Transactions' to the government lending and investment activity in various Crown Corporations and Agencies. By way of amplification, it should be noted that the interest of the Province in these Crown Corporations and Agencies is shown in the Statement of Assets and Liabilities contained in Volume 1 of the Public Accounts only to the extent of the outstanding amounts actually invested or advanced to them. Thus, the accumulated earnings (or deficits) of these organizations are not reflected therein. The financial statements of relevant Crown Corporations and Agencies are reproduced in Volume 2 of the Public Accounts.

**10. Presentation of Acquisition/Construction of Physical Assets in the Public Accounts.** Expenditure with respect to the acquisition/construction of physical assets totalled \$366,130,544 for the year ended March 31, 1975, and is summarized by Ministry on page 52 of Volume 1 of the 1974-75 Public Accounts.

As indicated in the guide to the 1974-75 Public Accounts, Volume 1, page 10, the acquisition/construction of physical assets standard accounts classification includes all costs of acquisition and construction by contract of new and used buildings and engineering structures. This standard accounts classification does not, however, include the cost of work performed by the Province's own labour force with respect to new capital formation, nor does it include the costs of materials and services provided by the Province for use by contractors on capital projects. Such costs are termed "own account" expenditure and are charged to other standard accounts classifications—salaries and wages, services, etc.

"Own account" expenditure is substantial and totalled in excess of \$47 million for the 1974-75 fiscal year.

**11. Presentation of Travelling Expenses in the Public Accounts.** In last year's Report (section 80) it was noted that travelling expenses totalling \$2,500 or more per fiscal year paid to an individual, agency or carrier were reported by payee within each Ministry in Volume 3 of the Public Accounts. For the most part, the amounts shown represented payments to employees for

out-of-pocket expenses and mileage claims. Expenditure with respect to other related costs incurred but billed directly to the Ministry by the carrier or agency was reported under the name of the carrier or agency to whom the money was actually paid. While this method of presentation indicated the extent to which payments were made directly to carriers and agencies, it did not disclose the full cost of travel by employee.

Upon consideration of the manner of presentation during its review of the 1972-73 Public Accounts, the Standing Committee on Public Accounts concluded that disclosure of the full cost of travel by employee was preferable. The Committee, therefore, requested that payments to carriers and agencies be allocated to the employees concerned for reporting purposes. The new reporting format has been adopted effective with the 1974-75 fiscal year.

**12. The Standing Committee on Public Accounts.** The Public Accounts of the Province and the Provincial Auditor's annual report to the Legislature are reviewed by the Standing Committee on Public Accounts after being tabled in the Legislature. The Committee constituted for the Fifth Session of the Twenty-Ninth Parliament, which commenced on March 11, 1975, consisted of thirteen members and, as is the custom, was chaired by a member of the Official Opposition. The party membership of the Committee is traditionally proportional to the respective party membership in the Legislative Assembly.

The Standing Committee on Public Accounts held twenty meetings during the period March 1975 through June 1975. Most of these meetings were open to the public. During its deliberations the Committee reviewed many of the comments contained in the Provincial Auditor's 1973-74 Report which was tabled in the Legislature on March 13, 1975.

The Committee reported on its activities to the members of the Legislative Assembly. This report was dated July 10, 1975 and contained twenty-four recommendations, most of which related specifically to items noted in the Provincial Auditor's 1973-74 Report. The recommendations of the Committee are detailed in Exhibit 10.



## COMMENTS ON ASSETS AND LIABILITIES

**13. Introductory Comments.** The Statement of Assets and Liabilities of the Province of Ontario at March 31, 1975, as shown in Volume 1 of the Public Accounts for 1974-75, is reproduced as Exhibit 2 to this Report.

As explained in the "Basis of Financial Reporting" outlined in section 9 of this Report, the financial statements of the Province reflect a modified "cash flow" principle of accounting rather than the "accrual" principle. In addition, Provincial expenditure on fixed assets is treated as non-recoverable expenditure of each fiscal year. As a result, the Statement of Assets and Liabilities does not include assets such as buildings, land or accounts receivable nor liabilities such as accounts payable. However, memorandum records of certain of these assets and liabilities are maintained for internal control purposes. The memorandum accounts for Accounts Payable; Accounts Receivable; and Equipment, Stores, Livestock and Materials at March 31, 1975 are shown in Volume 1 of the Public Accounts for 1974-75, pages 50-51.

**14. Summary of Assets and Liabilities.** For reference purposes a summary of assets and liabilities at March 31, 1975 is as follows. Comparative figures for the preceding year have been reclassified and restated, where necessary, to conform with the 1975 presentation.

Assets	March 31, 1975 \$	March 31, 1974 \$
Cash, temporary investments and marketable securities ..	856,301,037	982,286,687
Advances to Ontario Hydro .....	1,788,495,970	1,478,211,011
Advances and investments—		
other corporations, boards and commissions .....	3,778,440,816	3,246,677,963
Investments in water treatment and waste control		
facilities (at cost less recoveries) .....	528,262,811	408,067,331
Loans to municipalities .....	213,274,581	181,307,301
Other loans and investments .....	219,574,558	191,559,422
Total realizable assets .....	7,384,349,773	6,488,109,715
Net debt .....	3,448,069,583	2,901,508,846
	<u>10,832,419,356</u>	<u>9,389,618,561</u>
<b>Liabilities</b>		
Demand deposits with the Province of Ontario Savings		
Office .....	233,727,157	187,332,809
Pension funds .....	795,952,606	686,786,611
Deposit, trust and reserve accounts .....	187,658,780	79,516,175
Unmatured debt .....	9,615,080,813	8,435,982,966
	<u>10,832,419,356</u>	<u>9,389,618,561</u>
Contingent liabilities: bonds, etc., guaranteed by the		
Province .....	<u>3,843,449,294</u>	<u>3,330,184,334</u>

**15. Cash, Temporary Investments and Marketable Securities.** The balances included under this heading, with comparable balances for the preceding year, were as follows. The 1974 figures have been restated to conform with the 1975 presentation.

	March 31, 1975 \$	March 31, 1974 \$
Temporary Investment .....	1,131,160,501	1,240,472,354
Marketable Securities .....	166,391,699	99,452,824
Bank Balances .....	(441,251,163)	(357,638,491)
	<u>856,301,037</u>	<u>982,286,687</u>

TEMPORARY INVESTMENTS, totalling \$1,131,160,501 at March 31, 1975, are shown at cost and consisted of Time Deposits with Canadian Chartered banks of \$1,070,296,896, loans to investment dealers on a call or day loan basis, secured by collateral, of \$32,722,050 and investments in short term notes of \$28,141,555.

The Time Deposits are recorded at cost in Canadian funds at the dates of deposit. When related to the currency in which the Time Deposits were redeemable, the cost total of \$1,070,296,896 was identified as follows: Canadian dollars—\$853,000,000; United States dollars—\$211,758,300 and West German deutsche marks—\$5,538,596.

MARKETABLE SECURITIES, totalling \$166,391,699 at March 31, 1975, are shown at cost and consisted of Ontario Hydro debentures of \$83,744,404, Province of Ontario debentures of \$63,751,029 and Government of Canada debentures of \$18,896,266. In aggregate the marketable securities had a market value of approximately \$162 million at March 31, 1975.

As previously indicated (see section 9), prior to April 1, 1974, Province of Ontario debentures held at year end were valued at par and reported as a deduction from the Debentures liability on the Statement of Assets and Liabilities. Commencing with 1974-75, Ontario debentures held at year end are valued at cost and are included with Cash, Temporary Investments and Marketable Securities.

The par value of Ontario debentures held at March 31, 1975 was \$74,438,500, or \$10,687,471 in excess of cost. All of the Ontario debentures held as investments at March 31, 1975 were purchased during 1974-75. Had the above described change in accounting treatment not been made, interest revenue, which otherwise would have included discount on Ontario debentures purchased, would have been increased by \$10,687,471 for the year ended March 31, 1975. In addition, three of the items reflected in the Statement of Assets and Liabilities at March 31, 1975 would have been decreased: Cash, Temporary Investments and Marketable Securities by \$63,751,029, Net Debt by \$10,687,471 and Debentures by \$74,438,500.

BANK BALANCES as recorded by the books of the Province reflected an overdraft position. This situation resulted mainly from cheques issued during April 1975 which were dated March 31, 1975 and were charged to 1974-75 appropriations in accordance with the authority therefor provided by statute. The amounts actually on deposit with the banks totalled more than \$27 million at March 31, 1975. Deductions of outstanding cheques and allowances for adjustments contributed to a net overdraft of \$441,251,163 on the books of the Province.

**16. Advances to Ontario Hydro.** These advances, with comparable advances for the preceding year, and the financial activity during the 1974-75 fiscal year, were as follows:

	<i>March 31, 1974</i> \$	<i>Advances Made</i> \$	<i>Repayments Received</i> \$	<i>March 31, 1975</i> \$
Secured by bonds .....	1,382,274,000	375,000,000	46,980,000	1,710,294,000
Unsecured .....	95,937,011		17,735,041	78,201,970
	<u>1,478,211,011</u>	<u>375,000,000</u>	<u>64,715,041</u>	<u>1,788,495,970</u>

The financial statements of Ontario Hydro are shown in Volume 2 of the Public Accounts.

Advances secured by bonds are made to Ontario Hydro from the proceeds of debentures issued by the Province of Ontario for that purpose under authority of The Power Corporation Act. These advances are repayable in United States dollars and are recorded in Canadian funds at par, as is the related liability (see section 27). As security for the advances, the Province holds bonds of Ontario Hydro for the principal amount with the same interest rate and terms as the corresponding Province of Ontario debentures.

The advances of \$375 million made to Ontario Hydro during the 1974-75 fiscal year represented the gross proceeds from two Ontario debenture issues in the United States on behalf of Ontario Hydro. These two issues are identified as series EW and EX and are shown at their par values of \$175 million and \$200 million, respectively, in the Details of Debentures Outstanding statement on page 41 of the 1974-75 Public Accounts.

Unsecured advances to Ontario Hydro represent the Province's share of the capital cost of the first two units of a nuclear powered generating station at Pickering.

**17. Advances and Investments—Other Corporations, Boards and Commissions.** The balances included under this heading, with comparable balances for the preceding year, and the financial activity during the 1974-75 fiscal year, were as follows:

	March 31, 1974 \$	Advances/ Investments Made \$	Repayments Received \$	March 31, 1975 \$
The Ontario Universities Capital Aid Corporation .....	1,178,661,569	38,069,013	20,582,268	1,196,148,314
The Ontario Education Capital Aid Corporation .....	1,145,798,315	87,370,000	46,086,357	1,187,081,958
Ontario Mortgage Corporation ...	263,245,000	133,000,000	11,826,000	384,419,000
Ontario Land Corporation .....		320,100,000		320,100,000
Ontario Housing Corporation .....	377,769,930	92,529,303	208,406,264	261,892,969
Ontario Energy Corporation .....		100,000,000		100,000,000
Ontario Development Corporation .....	68,265,046	28,172,563	6,866,964	89,570,645
The Ontario Junior Farmer Establishment Loan Corporation .....	74,040,114			74,040,114
Ontario Northland Transportation Commission .....	58,207,935	7,000,000		65,207,935
The Ontario Municipal Improvement Corporation .....	27,357,303	7,227,000	4,713,000	29,871,303
Liquor Control Board of Ontario ..	25,074,515			25,074,515
Northern Ontario Development Corporation .....	10,115,936	10,832,458	297,253	20,651,141
Ontario Student Housing Corporation .....	8,600,400			8,600,400
Ontario Transportation Development Corporation .....	6,000,000			6,000,000
Eastern Ontario Development Corporation .....		5,982,522		5,982,522
The Crop Insurance Commission of Ontario .....	70,000	3,500,000	70,000	3,500,000
Ontario Lottery Corporation .....		300,000		300,000
Ontario Place Corporation .....	3,471,900	1,233,000	4,704,900	
	<u>3,246,677,963</u>	<u>835,315,859</u>	<u>303,553,006</u>	<u>3,778,440,816</u>

Financial statements of these Crown Corporations, Boards and Commissions (Ontario Place Corporation excepted) are shown in Volume 2 of the Public Accounts for 1974-75.

Explanatory comment relative to the nature of these Corporations, Boards and Commissions, and to the terms of the relative advances and investments made by the Province, is contained on Pages 31-32 of Volume 1 of the 1974-75 Public Accounts. Additional explanatory comment with regard to certain of these Corporations, Boards and Commissions is presented as follows:

**THE ONTARIO UNIVERSITIES CAPITAL AID CORPORATION.** Advances by the Province to this Corporation as at March 31, 1975 are repayable out of future years' Provincial expenditure appropriations.

The Corporation employs funds advanced by the Province to purchase bonds and debentures issued by colleges, universities and related institutions for capital construction purposes. The issuing institution redeems its debentures, with interest, over their term utilizing moneys appropriated by the Legislature for such purpose. The Corporation, in turn, utilizes redemption proceeds to repay, with interest, its advances from the Province.



By way of illustration, in 1974-75 institutions effectively made principal and interest payments to the Corporation totalling \$103,090,661, of which \$102,776,997 was provided out of the expenditure appropriations of the Ministry of Colleges and Universities as reflected on Page 359 (Vote 2502-2) and Page 361 (Vote 2503-2) of Volume 1 of the 1974-75 Public Accounts. The balance of \$313,664 was provided by municipalities in connection with debentures issued for library construction.

Of the \$103,090,661, principal repayment amounted to \$20,582,268 and was included in the Statement of Receipts on Page 18 of the 1974-75 Public Accounts, Volume 1. The balance, \$82,508,393, represented interest and was reflected as such in the Revenue statement of the Ministry of Treasury, Economics and Intergovernmental Affairs, Page 141 of the 1974-75 Public Accounts, Volume 1.

**THE ONTARIO EDUCATION CAPITAL AID CORPORATION.** The situation with respect to the repayment of advances made by the Province to this Corporation is somewhat analogous to that outlined for The Ontario Universities Capital Aid Corporation. For, to a large extent, the advances by the Province to The Ontario Education Capital Aid Corporation are repayable out of future years' Provincial expenditure appropriations.

In the calculation of General Legislative Grants, a component of the annual appropriation for the School Business and Finance program activity, Ministry of Education (Vote 2702-11, Page 398 Volume 1 of the 1974-75 Public Accounts), consideration is given to the repayments of debenture principal, with interest, which municipalities are required to make to The Ontario Education Capital Aid Corporation.

**ONTARIO DEVELOPMENT CORPORATION.** Advances recorded at March 31, 1975, included advances with respect to forgivable performance loans made by the Corporation in the outstanding amount of \$33,315,034. The major portion of advances by the Province to the Corporation with respect to forgivable performance loans is repayable out of future years' Provincial expenditure appropriations.

Performance loans are loans made by the Corporation to persons establishing or substantially expanding an industrial undertaking in an area of equalization of industrial opportunity. These loans are non-interest bearing and are subject to principal forgiveness. Forgiveness is contingent upon the borrower operating his business in a manner satisfactory to the Corporation. Generally speaking, loan forgiveness is at the rate of ten per cent at the end of each of the first five years of operation with the balance, or fifty per cent, forgiven at the end of the sixth year of operation. When borrowers' loan principal is forgiven, moneys appropriated by the Legislature for the purpose of loan forgiveness are utilized by the Corporation to repay its corresponding advance indebtedness with the Province.

To illustrate, in 1974-75 the Corporation forgave loan principal in the amount of \$3,796,236. The Corporation's advances from the Province with respect to performance loans were reduced, or repaid, by a corresponding amount utilizing funds provided out of the expenditure appropriations of the Ministry of Industry and Tourism. Both the expenditure and repayment activity were reflected in Volume 1 of the 1974-1975 Public Accounts. The former was included in Vote 2009-1 (Page 298), while the latter was included in the receipts from Ontario Development Corporation reflected in the Statement of Receipts (Page 18).

ONTARIO NORTHLAND TRANSPORTATION COMMISSION. Advances by the Province to the Commission included advances made since 1972, totalling \$35,000,000, which are of a demand loan nature and are interest bearing.

The balance, \$30,207,935, represented advances made to the Commission prior to 1972. This amount, which is non-interest bearing, could be termed an investment in, rather than an advance to, the Ontario Northland Transportation Commission.

A difference in the nature of the two amounts, \$35,000,000 and \$30,207,935, is recognized by the Commission in its financial statement presentation. The former is classified as a current liability in the balance sheet, while the latter is classified as a long-term liability.

LIQUOR CONTROL BOARD OF ONTARIO. Each year the Board pays over to the Province that portion of its annual profits which are not required for the Board's operating purposes. Such payments are recorded as revenue in the books of the Province (see Page 126 of the 1974-75 Public Accounts, Volume 1).

For many years necessary accounting transactions were recorded in the books of the Province to ensure that the Province's investment in The Liquor Control Board equaled the accumulated amount of profits retained by the Board for operating purposes, and which the Board had invested in stock, supplies, etc. Commencing with the year ended March 31, 1972, however, the relationship between the Province's investment in the Board and the amount of profits retained by the Board has not been maintained. For, while the Province's recorded investment in the Board has remained unchanged at \$25,074,515, the retained profits of the Board have increased each year and totalled \$35,098,739 at March 31, 1975.

NORTHERN ONTARIO DEVELOPMENT CORPORATION. Advances recorded at March 31, 1975 included advances with respect to forgivable performance loans in the outstanding amount of \$3,496,338. To a large extent advances by the Province to the Corporation with respect to forgivable performance loans made to borrowers are repayable out of future years' Provincial expenditure appropriations.

For further information relative to performance loans see comments under ONTARIO DEVELOPMENT CORPORATION.

**18. Investments in Water Treatment and Waste Control Facilities.** The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. Under the agreements with individual municipalities the costs of construction and operation of the facilities are fully recoverable with interest over a specified period of years.

During the 1974-75 fiscal year additional investments of \$126,985,944 were made and recoveries of \$6,790,464 were received, leaving a balance of \$528,262,811 outstanding at March 31, 1975.

**19. Loans to Municipalities.** The balances included under this heading, with comparable figures for the preceding year, and the financial activity during the 1974-75 fiscal year, were as follows:

	<i>March 31, 1974 \$</i>	<i>Loans Made \$</i>	<i>Repayments Received \$</i>	<i>March 31, 1975 \$</i>
<b>Sundry Municipalities re:</b>				
Municipal Works Assistance ....	74,748,299		4,338,128	70,410,171
Tile Drainage .....	29,179,431	12,508,400	4,048,439	37,639,392
Federal-Provincial Winter Capital Projects Fund .....	730,000	16,857,286	10,640	17,576,646
Federal-Provincial Employment Loans .....	16,771,938	156,566	567,775	16,360,729
Ontario Housing Action Program .....		12,834,333		12,834,333
Federal-Provincial Special Development Loans .....	4,666,200		262,200	4,404,000
The Shore Line Property Assistance Act, 1973 .....	390,500	366,100	7,707	748,893
The Municipality of Metropolitan Toronto .....	50,188,000		1,378,000	48,810,000
Township of Elliot Lake .....	2,636,900		218,600	2,418,300
Town of Kapuskasing .....	1,408,048		48,241	1,359,807
City of Windsor .....	282,985		66,501	216,484
Improvement District of Manitouawadge .....	182,000		32,000	150,000
The Moosonee Development Area Board .....	123,000		4,000	119,000
Township of Collingwood .....		116,826		116,826
Township of Amabel .....		110,000		110,000
	<u>181,307,301</u>	<u>42,949,511</u>	<u>10,982,231</u>	<u>213,274,581</u>

Explanatory comment with regard to the various Loans to Municipalities is contained on Pages 32-33 of Volume 1 of the 1974-75 Public Accounts.

**20. Other Loans and Investments.** The balances included under this heading, with comparable balances for the preceding year, and financial activity during the 1974-75 fiscal year, were as follows:

	March 31, 1974 \$	Loans Made \$	Repayments Received \$	March 31, 1975 \$
Loans to public hospitals .....	175,502,311	42,126,000	11,783,649	205,844,662
The Sault Ste. Marie Bridge Act:				
International Bridge Authority of Michigan—bonds .....	7,615,072			7,615,072
St. Mary's River Bridge Company—shares .....	1,370			1,370
Municipal and school tax credit assistance .....	2,368,518	529,521	203,125	2,694,914
Sundry co-operative associations ..	1,840,686	60,000	293,664	1,607,022
Loans under The Fisheries Loans Act .....	898,164			898,164
Provincial student-aid loans .....	624,766		192,042	432,724
Sundry conservation authorities ....	407,540		77,050	330,490
Sandwich, Windsor and Amherstburg Railway Company —bonds .....				
Maturing June 30, 1975 to 1977	200,000		50,000	150,000
Maturing April 1, 1980 .....	2,100,000		2,100,000	
Agricultural loans .....	995		855	140
	<u>191,559,422</u>	<u>42,715,521</u>	<u>14,700,385</u>	<u>219,574,558</u>

Explanatory comment with regard to the various Other Loans and Investments is contained on Pages 33-34 of Volume 1 of the 1974-75 Public Accounts. Additional explanatory comment relative to two of the loan categories is presented as follows:

**LOANS TO PUBLIC HOSPITALS.** Many loans by the Province to the public hospitals are substantially repayable out of future years' Provincial expenditure appropriations.

During the 1974-75 fiscal year, for example, public hospitals made principal and interest payments to the Province in the amounts of \$11,783,649 and \$4,282,994 respectively. Of the total of \$16,066,643 so paid by the public hospitals, \$12,806,283 was provided in the form of grants from the Province. These grants were included in the expenditure appropriations of the Ministry of Health for the fiscal year ended March 31, 1975, Vote 2803-2.

**LOANS UNDER THE FISHERIES LOAN ACT.** The collectability of these loans in the amount of \$898,164 was extremely doubtful at March 31, 1975. This amount was subsequently written off by the Province under the authority of Order in Council dated September 7, 1975 (see sections 26 and 115 for further comment).

**21. Fixed Assets.** As explained in the basis of financial reporting contained in section 9 of this Report, the costs of fixed assets are treated as expenditure in each fiscal year. These assets are carried in the accounting records of the Province at a nominal value of one dollar. In previous years the nominal value of the fixed assets has been shown separately in the Statement of Assets and



Liabilities. For more concise statement presentation this practice has been discontinued effective with the 1974-75 fiscal year.

The exclusion of the one dollar fixed asset amount has been offset by increasing the assets detailed in the Statement of Assets and Liabilities by one dollar through the dollar rounding process.

**22. Inactive Assets; Reserve for Inactive Assets.** In previous years inactive assets, and an offsetting reserve for inactive assets, have been reflected in the Statement of Assets and Liabilities. In the interest of more concise statement presentation both amounts have been omitted from the Statement of Assets and Liabilities at March 31, 1975.

The total of inactive assets at March 31, 1975 was \$4,350,546 and was unchanged from the previous year. The balance of inactive assets at March 31, 1975 was made up entirely of the Government of Canada accounts, consisting of a Debt Account of \$2,848,290 and a Common School Fund of \$1,502,256. The Debt Account is an amount on which the Government of Canada pays interest at 5% per annum to compensate the Province of Ontario for moneys withheld from the Province in the period July 1, 1867 to January 1, 1873.

The Common School Fund represents Ontario's share in a permanent fund of \$2,677,771 held in trust by the Government of Canada for the Provinces of Ontario and Quebec. This fund, the total of which has not changed since March 31, 1942, is derived from the sale of Crown lands set aside for the benefit of common schools by statutes enacted before Confederation. The Government of Canada pays interest to the Province on the principal sum at the rate of 5% per annum in proportion to their respective populations as determined by the most recent decennial census. The present allocation of interest is based on the census of 1971.

A reserve for the full amount of the Government of Canada accounts has been provided since the present agreement does not call for liquidation of the principal amounts.

**23. Net Debt.** The Net Debt of the Province is the excess of liabilities over revenue-producing and realizable assets. Year-to-year changes in Net Debt are related directly to the amount by which revenue exceeds, or is less than, expenditure on budgetary transactions. Revenue was less than expenditure on budgetary transactions by \$546,560,736 for the 1974-75 fiscal year, with the result that Net Debt increased by that amount to \$3,448,069,583 at March 31, 1975.

The term Net Debt should not be confused with the term Unmatured Debt, nor with the term public debt, both of which are explained in section 27.

**24. Demand Deposits with The Province of Ontario Savings Office.** These deposits are carried in twenty-one branches of the Savings Office throughout the Province. The liability of the Savings Office to depositors, with comparable balances for the preceding year, consisted of:

	March 31, 1975 \$	March 31, 1974 \$
Current Balances .....	233,551,187	187,165,036
Unclaimed Balances .....	175,970	167,773
	<u>233,727,157</u>	<u>187,332,809</u>

It is current practice of the Savings Office to transfer a deposit balance from a current classification to an unclaimed classification when no communication has been received from the depositor, and no activity has taken place in the account, for a five year period.

The financial statement of The Province of Ontario Savings Office is shown on page 47 in Volume 1 of the 1974-75 Public Accounts.

**25. Pension Funds.** The balances included under this heading, with comparable balances for the preceding year, and financial activity during the 1974-75 fiscal year, were as follows:

	March 31, 1974 \$	Fund Receipts \$	Fund Disbursements \$	March 31, 1975 \$
Public Service Superannuation Fund .....	685,032,086	151,290,984	42,281,435	794,041,635
Legislative Assembly Retirement Allowances Account .....	1,754,525	433,696	277,249	1,910,972
	<u>686,786,611</u>	<u>151,724,680</u>	<u>42,558,684</u>	<u>795,952,607</u>

The balance in the Public Service Superannuation Fund is on deposit with the Treasurer of Ontario. For further comment on the Fund see section 152.

The balance in the Legislative Assembly Retirement Allowances Account is also on deposit with the Treasurer of Ontario. For further comment on the Account see section 143.

**26. Deposit, Trust and Reserve Accounts.** The balances included under this heading, with comparable balances at the end of the preceding year, are summarized as follows:

	March 31, 1975 \$	March 31, 1974 \$
Deposit and Trust Accounts .....	183,007,223	75,834,258
Reserves .....	4,412,692	3,333,127
Miscellaneous .....	238,865	348,790
	<u>187,658,780</u>	<u>79,516,175</u>

All of the above categories are itemized in Volume 1 of the Public Accounts for 1974-75 on pages 35-36.

The DEPOSIT AND TRUST ACCOUNTS balance was comprised mainly of three items:

i) ONTARIO ENERGY CORPORATION—\$99,998,000

By authority of Order in Council dated February 20, 1975 the Province advanced \$100 million to the Ontario Energy Corporation for start-up funding. Of this amount, \$99,998,000 was placed on deposit by the Corporation with the Treasurer of Ontario and remained on deposit as at March 31, 1975.

ii) SINKING AND RESERVE FUNDS—MINISTRY OF THE  
ENVIRONMENT—\$38,610,922

These funds relate to the Province's investment in water treatment and waste control facilities. The sinking fund is maintained for the recovery of the cost of capital assets while the reserve fund is kept for renewals, replacements and contingencies.

iii) MOTOR VEHICLE ACCIDENT CLAIMS FUND—\$31,506,311

The amount on deposit with the Treasurer of Ontario represents the balance at the credit of the Fund. For further comment regarding the Fund see section 144.

While relatively smaller in monetary significance, many additional accounts were included in the Deposit and Trust Accounts category. Background on the following accounts is presented for information purposes.

ONTARIO OLYMPIC LOTTERY SPORTS FUND: \$2,060,992

This Fund was established by Order in Council dated November 28, 1973 for the purpose of receiving deposits of the Ontario portion of the proceeds from the sale of lottery tickets by the Olympic Lottery of Canada Corporation. The agreement between the Corporation and Her Majesty in Right of Ontario provided for five per cent of the face value of all tickets sold in Ontario to be paid into a trust account to be used for the development of amateur sport in Ontario. Effective April 1, 1975 this trust account, or Fund, is administered by the Minister of Culture and Recreation.

During 1974-75 the Fund received \$3,502,345, representing the Province's share of the proceeds from the sale of tickets for the first four lottery draws. During the same period \$1,441,353 was paid out of the Fund for the development of amateur sport in Ontario, leaving a balance of \$2,060,992 in the Fund at March 31, 1975.

MINISTRY OF NATURAL RESOURCES—The Pits and Quarries Control Act, 1971: \$2,015,570

The Pits and Quarries Control Act, 1971 requires operators of pits and quarries to maintain security deposits with the Treasurer of Ontario for rehabilitation purposes. Should the rehabilitation program of a pit or quarry not be carried out in accordance with specified requirements, the Minister of Natural Resources may direct that the security deposited be forfeited.

The regulations under the Act stipulate the method of calculating security deposits and provide that they be deposited annually in a deposit account held by the Treasurer of Ontario bearing simple interest at the rate of 6 per cent per annum.

During the year ended March 31, 1975 security deposits were received in the amount of \$981,006. No amounts were paid out.

QUEEN ELIZABETH II ONTARIO SCHOLARSHIP FUND: \$509,676

This Fund was established by Order in Council effective July 1, 1959 to mark the visit to the Province of Ontario of Her Majesty Queen Elizabeth II in 1959. A special warrant was issued in the amount of \$500,000 and this sum was placed in the Fund. The purpose of the Fund is "to encourage those phases of education which from time to time are important and should be emphasized in the light of Ontario's needs as they change and develop".

A further Order in Council provided that the Fund be administered by a designated Board of Trustees, and that interest be credited on the principal sum at the rate of 5 per cent per annum. In the payment of scholarships and the administrative expenses of the Fund, the Board of Trustees has been given the power to encroach, at its discretion, upon the principal sum of \$500,000. To date, however, no encroachment has taken place.

As at March 31, 1975 the Fund had been in operation for over fifteen years during which time payments out of the Fund had aggregated in excess of \$375,000. For the 1974-75 fiscal year payments amounted to \$23,631, representing scholarships totalling \$22,000 and administrative expenses in the amount of \$1,631.

THE MISCELLANEOUS category in the foregoing summary includes a balance of \$193,241 owing to the Government of Canada, representing its contribution to loans made to commercial fishermen by the Province in 1970-71 under The Fisheries Loans Act. This amount is repayable as recoveries are received from the fishermen. For further comment see sections 20 and 115.

**27. Unmatured Debt.** The term unmatured debt is used to identify the total of the following liabilities designated on the Statement of Assets and Liabilities: Advances payable, Treasury bills, Notes payable and Debentures. Com-



parable balances for unmatured debt, and its components, at March 31, 1975 and March 31, 1974 were as follows:

	<i>March 31, 1975</i> \$	<i>March 31, 1974</i> \$
Advances payable .....	61,134,861	45,601,073
Treasury bills .....		90,000,000
Notes payable .....	18,971,262	23,345,600
Debentures .....	9,534,974,690	8,277,036,293
	<u>9,615,080,813</u>	<u>8,435,982,966</u>

ADVANCES PAYABLE at March 31, 1975 comprised two elements. The first element of \$34,984,861 represented funds advanced to the Province on an interim basis by the Central Mortgage and Housing Corporation for a portion of the cost of waste control projects under construction. When a project is completed the advance is partially forgiven and the balance converted to a forty year debenture. During the 1974-75 fiscal year advances in the amount of \$17,267,059 were received, while \$7,483,271 was forgiven or debentured.

The second element of \$26,150,000 represented deposits received from The Ontario Municipal Employees Retirement Fund in the period January 1, 1975 to March 31, 1975. This amount will be debentured as at December 31, 1975.

NOTES PAYABLE at March 31, 1975 represented the outstanding amount of funds borrowed from the Government of Canada under the Federal-Provincial Winter Capital Projects Fund. Notes are due and payable at various dates between 1979 and 1995.

DEBENTURES comprised over 99 per cent of unmatured debt. The following is a breakdown of the debenture liability, with comparable balances for the preceding year:

	<i>March 31, 1975</i> \$	<i>March 31, 1974</i> \$
DEBENTURES OUTSTANDING AND HELD BY:		
Government of Canada		
—Canada Pension Plan .....	4,405,481,000	3,703,684,000
—Municipal Works .....	72,083,638	76,337,660
—W. R. Series (C.M.H.C.) .....	40,655,083	35,012,955
—Special Development Loans .....	4,544,579	4,823,456
—Employment Loans .....	17,424,519	
Teachers' Superannuation Fund .....	1,477,300,000	1,191,200,000
Ontario Municipal Employees Retirement Fund .....	641,125,000	503,000,000
Public—issued on behalf of Ontario Hydro .....	1,710,294,000	1,382,274,000
—issued on behalf of the Province of Ontario .....	1,166,066,871	1,380,704,222
	<u>9,534,974,690</u>	<u>8,277,036,293</u>

The term public debt is sometimes used to describe the debentures held by the public. At March 31, 1975, such debentures totalled \$2,876,360,871, of which, as indicated in the preceding summary, \$1,710,294,000 were issued on behalf of Ontario Hydro and \$1,166,066,871 were issued on behalf of the Province of Ontario. It should be noted that, in recent Ontario Budget presentations, the term public debt has been used in reference to the portion of the debentures held by the public which was issued on behalf of the Province of Ontario, and has excluded the portion held by the public which was issued on behalf of Ontario Hydro.

The total Debenture liability at March 31, 1975 was payable in the following currencies:

	\$
Canadian Dollars .....	7,740,175,319
United States Dollars .....	1,733,546,000
West German Deutsche Marks .....	61,253,371
	<u>9,534,974,690</u>

The debenture indebtedness payable in United States dollars is recorded in Canadian funds at par. Of the debentures payable in United States dollars, \$1,710,294,000 was with respect to debentures issued by the Province for the purpose of advancing funds to Ontario Hydro. For related asset see section 16.

The balance of the debenture indebtedness payable in United States dollars was \$23,252,000. At March 31, 1975 the Canadian dollar equivalent of this liability was \$23,326,406.

The debenture indebtedness payable in West German deutsche marks is recorded in Canadian funds at the rate of exchange in effect at the time of debenture issue. At March 31, 1975 Treasury officials calculated the Canadian dollar equivalent of the liability payable in deutsche marks at \$92,702,520, or \$31,449,149 more than the recorded liability of \$61,253,371.

**28. Contingent Liabilities.** Contingent liabilities totalled \$3,843,449,294 at March 31, 1975. Details of contingent liabilities are shown in Volume 1 of the Public Accounts for 1974-75 on pages 42-43.

## COMMENTS ON THE CONSOLIDATED REVENUE FUND

**29. Introductory Comments.** The Statement of Consolidated Revenue Fund for the fiscal year ended March 31, 1975, and the related Statement of Revenue and Statement of Expenditure, are contained in Volume 1 of the Public Accounts and are reproduced as Exhibits 1, 3 and 4 to this Report.

All of the referenced statements have been presented in 1974-75 on a comparative basis. The following changes were also made in the 1974-75 statement presentation:

- i) Statement of Revenue—this statement summarizes revenue by source. In previous years this information was reflected under the caption "Revenue by Source" in Volume I of the Public Accounts.
- ii) Statement of Expenditure—in previous years this statement was entitled "Revenue and Expenditure" and included both revenue and expenditure totals by Ministry. In 1974-75 only expenditure totals are shown by Ministry. Revenue totals by Ministry can be obtained by reference to pages 53-54 of Volume 1 of the Public Accounts.

The content of the Statement of Consolidated Revenue Fund may be summarized as follows:

	1974-75 \$	1973-74 \$
Source of Funds		
Debt Transactions: Proceeds less repayments .....	1,179,097,846	933,200,683
Application of Funds		
Budgetary transactions: deficit .....	546,560,736	379,465,413
Non-budgetary transactions: deficit .....	758,522,760	552,098,347
	1,305,083,496	931,563,760
Increase (Decrease) in Consolidated Revenue Fund .....	(125,985,650)	1,636,923
Consolidated Revenue Fund: Beginning of year .....	982,286,687	980,649,764
Consolidated Revenue Fund: End of year .....	856,301,037	982,286,687

**30. Payments into the Consolidated Revenue Fund.** These payments are classified as Revenue (Budgetary Transactions), Receipts and Credits (Non-Budgetary Transactions) and Proceeds of Loans (Debt Transactions). Revenue consists of moneys raised through taxation, premiums, fees, licences and permits, payments from the federal government under cost-shared programs and income from investments. Receipts are repayments received relative to the investment activities (loans, advances, etc.) of the Province, while Credits are moneys received for allocation to the pension fund, deposit, trust and reserve account liabilities of the Province. Proceeds of Loans represent the moneys received from Provincial debenture issues and other borrowings.

A summary of payments into the Consolidated Revenue Fund by classification is as follows. The 1973-74 figures have been restated to conform with the 1974-75 presentation.

<i>Payments Re</i>	<i>1974-75</i> \$	<i>1973-74</i> \$
Revenue .....	8,275,048,981	6,922,396,286
Receipts and credits .....	724,423,677	359,951,021
Proceeds of loans .....	1,538,822,283	1,196,637,511
	<u>10,538,294,941</u>	<u>8,478,984,818</u>

**31. Summary of Revenue by Source.** For reference purposes the following compares, by source, the Revenue for the 1974-75 fiscal year with that for the 1973-74 fiscal year:

	<i>1974-75</i> \$	<i>1973-74</i> \$	<i>Increase</i> <i>(Decrease)</i> \$
Taxation .....	4,953,315,976	4,067,028,279	886,287,697
Government of Canada:			
Reimbursements of expenditure and other	1,516,919,414	1,266,682,183	250,237,231
Premiums .....	548,095,482	530,053,695	18,041,787
Interest on loans, advances and investments	455,128,405	369,974,321	85,154,084
Profits from trading activities	301,650,000	280,500,000	21,150,000
Fees, licences and permits .....	279,085,252	261,803,170	17,282,082
Sales—land and buildings .....	58,320,831	6,122,284	52,198,547
Fines and penalties .....	42,209,566	37,371,252	4,838,314
Royalties .....	35,617,378	28,539,186	7,078,192
Utility service charges .....	25,921,044	20,265,645	5,655,399
Reimbursements of expenditure .....	19,250,582	10,298,674	8,951,908
Facilities .....	18,294,677	15,775,457	2,519,220
Recovery of prior years' expenditure ....	10,830,820	13,419,984	(2,589,164)
Sales—other .....	6,765,768	10,016,376	(3,250,608)
Public domain .....	2,502,945	2,053,514	449,431
Miscellaneous .....	1,140,841	2,492,266	(1,351,425)
	<u>8,275,048,981</u>	<u>6,922,396,286</u>	<u>1,352,652,695</u>

**32. Taxation.** Tax revenue of \$4,953,315,976 accounted for 59.9 per cent of the total revenue for the year. A further breakdown by principal tax source is as follows. The 1973-74 figures have been restated to conform with the 1974-75 presentation.

	<i>1974-75</i> \$	<i>1973-74</i> \$
Retail sales tax .....	1,568,828,591	1,314,814,391
Personal income tax .....	1,445,552,199	1,235,816,113
Corporations tax .....	891,907,759	637,603,197
Gasoline tax .....	493,090,700	476,786,369
Mining profits tax .....	152,802,601	46,962,605
Other .....	401,134,126	355,045,604
	<u>4,953,315,976</u>	<u>4,067,028,279</u>



Amendments to The Mining Tax Act, which were effective April 10, 1974, increased the rates of Mining Profits Tax and contributed to the substantial increase in 1974-75 of revenue from this tax source.

**33. Government of Canada—Reimbursements of Expenditure and Other.**

The major portion of this source of revenue consisted of recoveries of both current and prior years' expenditure made by the Province under cost-sharing projects with the Government of Canada. The main items of recovery for the year from the Government of Canada were under the Hospital Insurance and Diagnostic Services Act, \$651.8 million, the Medical Care Act, \$275.1 million, and the Canada Assistance Plan, \$274.3 million.

**34. Premiums.** This revenue consisted of premiums received under the Ontario Health Insurance Plan.

**35. Interest on Loans, Advances and Investments.** Interest on advances to Ontario Hydro amounted to \$97.6 million for the year, and Time Deposit interest netted to \$57 million after deducting \$20.1 million loss on foreign exchange. In addition, The Ontario Universities Capital Aid Corporation and The Ontario Education Capital Aid Corporation contributed \$82.5 million and \$80.2 million, respectively, to the interest revenue for the year. To a large extent the funds for these latter two items were provided out of the expenditure appropriations of the Province, as explained in section 17.

**36. Profits from Trading Activities.** This revenue represented the amount transferred to the Consolidated Revenue Fund during the year from the profits of the Liquor Control Board of Ontario.

**37. Fees, Licences and Permits.** Vehicle, driver and other fees, licences and permits of the Ministry of Transportation and Communications amounted to \$211 million, and accounted for 75.6 per cent of the total revenue under this category.

**38. Sales—Land and Buildings.** This revenue was derived from the sale of surplus land and buildings. Proceeds from sales to the Ontario Land Corporation during the year, amounting to \$54.2 million, constituted the main item of revenue under this category.

**39. Fines and Penalties.** This revenue source consisted mainly of fines and penalties levied by the Criminal Division of Provincial Courts. These totalled \$40.5 million for the year.

**40. Royalties.** Revenue under this heading included timber stumpage charges, \$19.9 million, charges for water power used in generating energy,

\$12.5 million, and timber management and forest protection charges, \$1.9 million.

**41. Utility Service Charges.** This category represented payments received by the Ministry of the Environment from municipalities and others with respect to the operation of water treatment and waste control facilities.

**42. Reimbursements of Expenditure.** This revenue source consisted of recoveries of both current and prior years' expenditure made by the Province on behalf of others, excluding the Government of Canada. The main item was a reimbursement of \$8.5 million in connection with the termination of the Transit Systems Demonstration Contract.

**43. Facilities.** Revenue under this heading included patients' maintenance, \$7.6 million, service centre rentals, \$3 million, and property rentals, \$1.3 million.

**44. Recovery of Prior Years' Expenditure.** This category consisted of all recoveries of prior years' expenditure with the exception of recoveries related to prior years' expenditure made by the Province on behalf of others. Recoveries under this heading were somewhat less in 1974-75 since in the prior year recoveries included \$3.7 million relating to the wind-up of the operation of the Ontario Hospital Services Commission.

**45. Sales—Other.** Industrial sales by correctional institutions of \$2.4 million, and sales of souvenirs and merchandise of \$1.4 million by the Ministry of Natural Resources (e.g. St. Lawrence Parks Commission, etc.) were the main items of revenue under this heading. Total revenue under this heading in 1974-75 decreased from the amount recorded in 1973-74. The 1973-74 total included revenue of \$1.2 million for the Ministry of Correctional Services with respect to motor vehicle licence plates manufactured and sold to the Ministry of Transportation and Communications.

**46. Public Domain.** This revenue was derived from the leasing and licensing of Crown lands, gas and mining leases, etc.

**47. Miscellaneous.** Revenue included under this heading consisted of items that did not conform to the criteria requirements for inclusion under any of the other categories. Individually they were mainly small in amount or of a non-recurring nature.

**48. Receipts and Credits.** Receipts and Credits totalling \$724,423,677 for the 1974-75 fiscal year are shown on pages 18-22 of Volume 1 of the Public Accounts. Comments with respect to many of the receipt and credit items are contained in the Comments on Assets and Liabilities sections (13-28) of this Report.

**49. Proceeds of Loans.** Proceeds of loans totalling \$1,538,822,283 for the 1974-75 fiscal year are shown on pages 26-27 of Volume 1 of the Public Accounts. These moneys resulted mainly from the issue of straight term and serial Ontario debentures maturing in the years 1994 to 2014.

**50. Payments out of the Consolidated Revenue Fund.** These payments are of two major types, those pursuant to Estimates, including Supplementary Estimates, approved by the Legislative Assembly, and those pursuant to the provisions of various statutes. The former are termed payments from Voted Appropriations while the latter are termed payments from Statutory Appropriations. Voted Appropriations, which are formalized annually by legislation cited as The Supply Act, may be augmented by Management Board Orders. The nature of Management Board Orders is more fully explained in section 129.

Voted Appropriations are classified as either Expenditure (Budgetary Transactions) or Disbursements and Charges (Non-Budgetary Transactions). Expenditure relates to operational activities and includes payments for goods and services, salaries, interest on public debt, subsidies and grants, and acquisition or construction of fixed assets. Disbursements are payments made in respect of investments, loans and advances, while Charges are payments made from pension funds, deposit, trust and reserve accounts.

Statutory Appropriations are also classified as Expenditure and as Disbursements and Charges. An additional classification is Repayments of Loans. These payments are in respect of the debt obligations of the Province.

A summary of the payments out of the Consolidated Revenue Fund by type and classification is as follows. The 1973-74 figures have been restated to conform with the 1974-75 presentation.

<i>Payments re</i>	<i>1974-75</i> \$	<i>1973-74</i> \$
Voted Appropriations:		
Per Legislative Assembly		
Expenditure .....	7,850,628,349	6,516,107,799
Disbursements and Charges .....	417,985,421	373,822,034
	<u>8,268,613,770</u>	<u>6,889,929,833</u>
Per Management Board Orders		
Expenditure .....	198,441,277	92,614,957
Disbursements and Charges .....	13,826,000	188,900
	<u>212,267,277</u>	<u>92,803,857</u>
Total Voted Appropriations .....	<u>8,480,881,047</u>	<u>6,982,733,690</u>
Statutory Appropriations:		
Expenditure .....	772,540,091	693,138,943
Disbursements and Charges .....	1,051,135,016	538,038,434
Repayments of Loans .....	359,724,437	263,436,828
Total Statutory Appropriations .....	<u>2,183,399,544</u>	<u>1,494,614,205</u>
Total Payments .....	<u>10,664,280,591</u>	<u>8,477,347,895</u>

**51. Increasing Incidence of Statutory Appropriations.** During the year 1974-75 payments relative to Statutory Appropriations constituted approximately 20.4 per cent of the total payments out of the Consolidated Revenue Fund. Comparative percentages for the 1973-74 and 1972-73 years were 17.6 and 16.2 respectively.

The 1974-75 statutory payment activity is summarized in Exhibit 6. In our opinion many of the payments therein could be brought under the annual control of the Legislative Assembly and related to Voted Appropriations rather than Statutory Appropriations. Precedent for such action has already been established. For example, disbursements under The Ontario Housing Corporation Act, which totalled \$92,529,303 for the year 1974-75, could be classified as statutory under the provisions of The Ontario Housing Corporation Act. Instead, however, they were paid out of funds appropriated by the Legislature.

Similar action could be taken with respect to many other payments classified as statutory. For example, disbursements to The Ontario Education Capital Aid Corporation, The Ontario Universities Capital Aid Corporation and The Ontario Municipal Improvement Corporation for development loan activity could, we feel, be voted by the Legislature as could disbursements to Ontario Development Corporation, Northern Ontario Development Corporation and Eastern Ontario Development Corporation for term loan activity. In 1974-75 disbursements for development loan activity and for term loan activity totalled \$132,666,013 and \$40,190,926 respectively.

**52. Comparison of Authorized and Actual Payments—Voted Appropriations.**

This comparison for the fiscal year ended March 31, 1975 is as follows:

Voted Appropriations	Authorized \$	Actual \$	Actual Under (Over) Authorized \$
Per Legislative Assembly			
Expenditure .....	7,975,432,000	7,850,628,349	124,803,651
Disbursements and Charges .....	457,901,000	417,985,421	39,915,579
	<u>8,433,333,000</u>	<u>8,268,613,770</u>	<u>164,719,230</u>
Per Management Board Orders			
Expenditure .....	221,694,850	198,441,277	23,253,573
Disbursements and Charges .....	13,826,000	13,826,000	
	<u>235,520,850</u>	<u>212,267,277</u>	<u>23,253,573</u>
Total Voted Appropriations .....	<u>8,668,853,850</u>	<u>8,480,881,047</u>	<u>187,972,803</u>

It will be noted that the total actual payments of \$8,480,881,047 exceeded the amount of \$8,433,333,000 appropriated by the Legislative Assembly. This excess was in the amount of \$47,548,047. Where votes and



items were of insufficient amount, funds in excess of those authorized by the Legislative Assembly were made available under the authority of Management Board Orders.

### 53. Expenditure. Expenditure may be summarized as follows:

<i>Expenditure re</i>	<i>1974-75</i> \$	<i>1973-74</i> \$
Voted Appropriations:		
Per Legislative Assembly .....	7,850,628,349	6,516,107,799
Per Management Board Orders .....	198,441,277	92,614,957
	<u>8,049,069,626</u>	<u>6,608,722,756</u>
Statutory Appropriations .....	772,540,091	693,138,943
Total Expenditure .....	<u>8,821,609,717</u>	<u>7,301,861,699</u>

**54. Summary of Expenditure by Ministry.** The following summary compares, by Ministry, the Expenditure for the 1974-75 fiscal year with that for the 1973-74 fiscal year. The Expenditure for 1973-74 has been restated, where necessary, to reflect the 1974-75 transfer of functions between Ministries.

<i>Ministry</i>	<i>1974-75</i> \$	<i>1973-74</i> \$	<i>Increase (Decrease)</i> \$
Office of the Lieutenant Governor .....	63,119	50,708	12,411
Office of the Assembly .....	7,730,354	6,452,427	1,277,927
Office of the Premier .....	1,230,972	1,119,296	111,676
Cabinet Office .....	1,328,506	871,983	456,523
Management Board of Cabinet .....	7,012,426	5,876,560	1,135,866
Office of Provincial Auditor .....	1,335,318	1,254,036	81,282
Government Services .....	268,950,838	179,998,482	88,952,356
Housing .....	70,361,549	36,965,826	33,395,723
Revenue .....	122,988,643	53,759,061	69,229,582
Treasury, Economics and Intergovernmental Affairs .....	1,035,527,279	864,582,863	170,944,416
Justice Policy .....	291,623	308,167	(16,544)
Attorney General .....	85,324,537	68,118,668	17,205,869
Consumer and Commercial Relations .....	35,056,222	28,446,467	6,609,755
Correctional Services .....	102,237,445	86,326,051	15,911,394
Solicitor General .....	105,480,297	90,412,443	15,067,854
Resources Development Policy .....	531,715	349,689	182,026
Agriculture and Food .....	112,691,341	104,669,087	8,022,254
Energy .....	2,462,024	1,618,957	843,067
Environment .....	57,741,592	45,085,273	12,656,319
Industry and Tourism .....	36,794,479	25,849,738	10,944,741
Labour .....	14,183,339	11,923,055	2,260,284
Natural Resources .....	190,475,669	158,627,095	31,848,574
Transportation and Communications .....	811,719,954	684,357,637	127,362,317
Social Development Policy .....	854,226	493,794	360,432
Colleges and Universities .....	931,218,661	824,233,883	106,984,778
Community and Social Services .....	683,750,872	562,227,533	121,523,339
Culture and Recreation .....	180,006		180,006
Education .....	1,598,245,151	1,410,345,445	187,899,706
Health .....	2,535,841,560	2,047,537,475	488,304,085
	<u>8,821,609,717</u>	<u>7,301,861,699</u>	<u>1,519,748,018</u>

**55. Office of the Lieutenant Governor . . . Office of Provincial Auditor.** Salaries and Wages and Employee Benefits constituted the main expenditure for the Office of the Lieutenant Governor, Office of the Assembly, Office of the Premier, Cabinet Office, Management Board of Cabinet and Office of Provincial Auditor. Such expenditure accounted for much of the aggregate net increase in expenditure of these Offices over that of the previous year.

**56. Government Services.** The Provision of Accommodation Program was the major expenditure of the Ministry. This program provided accommodation for ministries and agencies of the Ontario Government, and totalled \$183.6 million for the year 1974-75, an increase of \$78.5 million over the previous year. This was due mainly to increased expenditure on acquisition/construction of physical assets, which was to some extent, offset by the sale of physical assets during the year to the Ontario Land Corporation in the amount of \$54.2 million. The proceeds from this sale were reported as Sales-Land and Buildings (see section 38).

**57. Housing.** The main areas of expenditure for the year were the Housing Development Program, totalling \$47.6 million, and the Community Planning Program, totalling \$19.1 million. These two programs contributed \$17.7 million and \$13.5 million, respectively, to the \$33.3 million increase in the Ministry's 1974-75 expenditure over that of the previous year. The expenditure of \$2.3 million under the Housing Action Program, new in 1974-75, also accounted for part of the increase. This latter program was introduced to provide operational resources to accelerate the supply of housing in Ontario and included payments in respect of housing incentive grants.

**58. Revenue.** Expenditure totalling \$61.3 million under the Guaranteed Annual Income System, a new program in 1974-75, accounted for most of the \$69.2 million increase in the Ministry's 1974-75 expenditure. This program included payments to senior citizens in Ontario to provide a basic level of income security.

**59. Treasury, Economics and Intergovernmental Affairs.** Public Debt interest payments on securities issued and other borrowings constituted the principal category of expenditure and amounted to \$688.2 million in 1974-75. This was an increase of \$84.8 million over the previous year which, together with increases in grants to regional municipalities of \$46.4 million and in payments under The Property Tax Stabilization Act, 1973, of \$52 million, accounted for the major portion of the Ministry's total net increase for the year.

**60. Justice Policy.** A decrease in expenditure on services, supplies and equipment during 1974-75 accounted for most of the reduction in Ministry expenditure from that of the previous year.

**61. Attorney General.** The Courts Administration Program, which provided for the management of civil and criminal courts in Ontario, expended a total of \$46.1 million during 1974-75. This constituted 54 per cent of the Ministry's expenditure for the year and accounted for \$8.6 million of the increase in expenditure over that of the previous year.

**62. Consumer and Commercial Relations.** The Commercial Standards Program and the Property Rights Program were the main areas of expenditure, totalling \$9 million and \$12.3 million, respectively, for 1974-75. These programs accounted for \$3.8 million of the expenditure increase of \$6.6 million for the year.

The Commercial Standards Program consisted of activities that provided for the regulation of financial and commercial affairs. The Property Rights Program involved the registration of interests in real property and other related activities.

**63. Correctional Services.** The main areas of expenditure for the year were the programs for the Rehabilitation of Adult Offenders and for the Rehabilitation of Juveniles, totalling \$65.4 million and \$30.6 million respectively. These programs accounted for \$14.1 million of the \$15.9 million increase for the year.

These programs consisted of activities supplying administrative, care, treatment and training services for the rehabilitation of adult offenders and juveniles.

**64. Solicitor General.** The Ministry's Ontario Provincial Police programs of Criminal and General Law Enforcement and Traffic Law Enforcement had expenditure of \$46.4 million and \$41.2 million, respectively, for 1974-75. These programs accounted for \$11.7 million of the \$15 million increase in the Ministry's expenditure over the previous year.

**65. Resources Development Policy.** The main areas of expenditure for the year were Salaries and Wages, Employee Benefits and Services which, collectively, accounted for most of the increase in expenditure over that of the previous year.

**66. Agriculture and Food.** The principal expenditure was under the Agriculture Production Program. Expenditure on the program amounted to \$71.6 million, and accounted for \$7.9 million of the net increase in expenditure for the year.

**67. Energy.** The main areas of expenditure were Salaries and Wages, Employee Benefits, and Services which, collectively, accounted for most of the increase in expenditure over that of the previous year.

**68. Environment.** Expenditure on the Environmental Control Program totalled \$37.1 million and accounted for \$10.2 million of the increase in expenditure for the year.

The object of the program, which constituted the major expenditure of the Ministry, was to ensure proper control over the environment and to provide safe water supplies. This program also encouraged the installation of pollution abatement equipment with grants of financial aid.

**69. Industry and Tourism.** Salaries and Wages and Employee Benefits totalling \$12.1 million constituted the main expenditure for 1974-75, and accounted for \$2.5 million of the \$10.9 million increase in expenditure over that of the previous year. A further \$4.7 million of the increase was due to the redemption of the outstanding development loans made to the Ontario Place Corporation (see section 131 for further comment).

**70. Labour.** Expenditure on the Occupational Safety Program totalled \$4.4 million and accounted for \$1.1 million of the increase in expenditure for the year.

The purpose of the Occupational Safety Program was to reduce the number of hazards to workers in industrial establishments, construction sites and logging operations.

**71. Natural Resources.** The main areas of expenditure in 1974-75 were the Land Management Program and the Outdoor Recreation Program. Expenditure under these programs in 1974-75 totalled \$86.1 million and \$48.5 million, respectively, and accounted for \$30.1 million of the increase for the year.

**72. Transportation and Communications.** The Construction Program and Maintenance Program were the principal areas of expenditure in 1974-75 and amounted to \$487.1 million and \$253.1 million respectively. These programs included construction and maintenance of the King's Highway System and assistance to municipalities towards the construction and maintenance costs of municipal roads and transit systems.

The Construction and Maintenance Programs in aggregate accounted for \$118.1 million of the \$127.3 million increase in expenditure for the year.

**73. Social Development Policy.** The Social Development Policy Program was expanded in 1974-75 to include Social Development Councils. New activities in the program related to Senior Citizens and the Handicapped, together with increases in continuing program activities, accounted for most of the 73 per cent increase in expenditure over that of the previous year.



**74. Colleges and Universities.** The main areas of expenditure were the University Support Program and the Colleges and Adult Education Support Program. Expenditure under these programs in 1974-75 amounted to \$569.9 million and \$259.6 million, respectively, and in aggregate accounted for \$84.3 million of the expenditure increase for the year.

**75. Community and Social Services.** Transfer payments amounted to \$553.6 million in 1974-75 and constituted the principal expenditure of the Ministry for the year. Transfer payments accounted for \$116.6 million of the \$121.5 million increase in expenditure over that of the previous year, and included increases of \$71.3 million under the Income Maintenance Program and \$32.6 million under the Social and Institutional Services Programs. Expenditure for these programs during the year totalled \$361.4 million and \$170.4 million respectively.

**76. Education.** The School and Business Finance activity under the Education Development and Administration Program was the main area of expenditure, and accounted for \$1,331.5 million of the total expenditure of \$1,598.2 million by the Ministry for the year.

The transfer payments of the Ministry accounted for \$183.5 million of the increase of \$187.8 million for 1974-75, and included an increase of \$85.2 million in General Legislative Grants and an increase of \$38.3 million in payment on the unfunded liability of the Teachers' Superannuation Fund. Also included was a payment of \$55.9 million with respect to the experience deficiency of the Fund (see section 134).

The Ministry's expenditure of \$1,598.2 million was 18.1 per cent of the total expenditure of the Province for the year.

Expenditure on education by both the Ministry of Education and the Ministry of Colleges and Universities amounted to \$2,529.4 million or 28.6 per cent of the total expenditure of the Province for the year. The comparable figures for the preceding year, as restated, were \$2,234.5 million and 30.6 per cent.

**77. Health.** The Treatment and Rehabilitation Program accounted for \$2,399.2 million of the total expenditure of \$2,535.8 million. Expenditure under this program included \$1,372.5 million for the operation of hospitals and related facilities and \$649.6 million for care provided by physicians and practitioners. These payments increased by \$307.7 million and \$89.1 million respectively in 1974-75, accounting for 81.3 per cent of the increase in the Ministry's expenditure for the year.

The Ministry's expenditure of \$2,535.8 million was 28.7 per cent of the total expenditure of the Province for the year. Comparable figures for the preceding year, as restated, were \$2,047.5 million and 28 per cent.

**78. Disbursements and Charges.** Disbursements and charges may be summarized as follows. The 1973-74 figures have been restated to conform with the 1974-75 presentation.

<i>Disbursements and Charges re</i>	<i>1974-75</i>	<i>1973-74</i>
	\$	\$
Voted Appropriations		
Per Legislative Assembly .....	417,985,421	373,822,034
Per Management Board Orders .....	13,826,000	188,900
	<u>431,811,421</u>	<u>374,010,934</u>
Statutory Appropriations .....	1,051,135,016	538,038,434
	<u>1,482,946,437</u>	<u>912,049,368</u>

Funds disbursed with respect to two Corporations established in 1974-75 accounted for much of the increase in Statutory Appropriations. Advances of \$320.1 million were made to the Ontario Land Corporation under section 21 of The Ontario Land Corporation Act, 1974, and an investment of \$100 million was made in the Ontario Energy Corporation under section 17 of The Energy Corporation Act, 1974.

Details of Disbursements and Charges are shown on pages 16-17 and 23-25 of Volume 1 of the 1974-75 Public Accounts. Comments with respect to many of the disbursement and charge items are contained in the Comments on Assets and Liabilities sections (13-28) of this Report.

**79. Repayments of Loans.** Repayments of Loans totalling \$359,724,437 for the 1974-75 fiscal year are shown on pages 28-29 of Volume 1 of the Public Accounts. These repayments relate mainly to the redemption of Ontario debentures and Treasury bills.

## COMMENTS ON REVENUE AND EXPENDITURE TRANSACTIONS

**80. Introductory Comments.** Most of the comments contained in this segment of the Report relate to Revenue and Expenditure transactions. Some, however, are relevant to other types of payments into, and payments out of, the Consolidated Revenue Fund which are described in sections 30 and 50—Receipts and Credits, Disbursements and Charges, etc. The caption “Comments on Revenue and Expenditure Transactions” has been selected for simplicity of reference. The audits on which the comments are based were completed since the date of our last Report and are listed in Exhibit 8. The audit of revenue and expenditure at the various Ministries and Institutions included a general review of accounting procedures and such tests of accounting records and other supporting evidence as were considered necessary in the circumstances.

**81. Audit of Revenue.** Our audit activity is mainly devoted to the verification of revenue transactions and the review of related internal controls. Considerable stress is placed on determining whether there is full compliance with existing Statutes and Regulations, and on the review of procedures established within each Ministry for the verification and reconciliation of its revenue.

During the year we continued our emphasis on the major revenue-producing areas of the Government. Taxation revenue, for example, amounted to over \$4.9 billion or 59.9 per cent of the total revenue for the year (see section 32). Accordingly, an audit team is located at the Ministry of Revenue to perform a continuous audit of taxation revenue. Similarly, our Office maintains a separate group of auditors whose principal function is the review of claims on the Government of Canada which arise from contributory or cost-sharing agreements and programs.

**82. Audit of Expenditure.** The audit of expenditure was conducted under the following main classification—Transfer Payments; Acquisition/Construction of Physical Assets; and Administrative Expenditure. Under these classifications the expenditure for the year, as shown on page 52 of Volume 1 of the 1974-75 Public Accounts, may be summarized as follows:

	\$	%
Transfer Payments .....	6,263,585,563	71.0
Acquisition/Construction of Physical Assets .....	366,130,544	4.2
Administrative Expenditure		
Salaries and Wages .....	939,877,656	10.7
Other Transactions		
— includes public debt expenditure (interest on debentures, etc.) of \$688,211,502 .....	698,154,511	7.9
Services .....	259,003,141	2.9
Supplies and Equipment .....	204,064,461	2.3
Employee Benefits .....	110,982,685	1.3
Transportation and Communication .....	74,168,628	.8
	8,915,967,189	
Less: Recoveries from other Activities, Ministries, etc. ....	94,357,472	(1.1)
	<u>8,821,609,717</u>	<u>100.0</u>

Audits undertaken by the Provincial Auditor are financially oriented, and are primarily concerned with accounting accuracy and compliance. Nevertheless, as the material contained in subsequent sections of this Report will indicate, we have not restricted our activities to a financial audit. It is important to note, however, that 71 per cent of expenditure is in the form of transfer payments.

TRANSFER PAYMENTS represent expenditure made to individuals, organizations and other levels of government and for which the Ontario Government does not directly receive goods or services. Such expenditure is made in accordance with legislation or established Ministerial rules.

Our audit of transfer payments essentially concerns itself with the authorization, calculation and payment procedures in the Ministries, and involves, in particular, an assessment of the applicable legal and administrative framework. The disposition of funds received in the form of transfer payments is made by the recipient individual, organization or other government body. Therefore, in most cases, an assessment of relative economy, efficiency and effectiveness is considered beyond the purview of this Office.

Organizations and government bodies in receipt of transfer payments are usually subject to review by other auditors such as public accounting firms. Generally speaking, the paying Ministry, as a condition of payment, will require the recipient to periodically submit audited financial statements. In some cases, also, internal audit or similarly functioning groups within the Ministries will visit recipient organizations and government bodies for the purpose of reviewing their financial records.

In 1974-75 over \$4.7 billion, or more than 76 per cent of the total transfer payments, was expended by three Ministries. A summary of the payments by the three Ministries, including identification of major categories, is as follows:

MINISTRY	CATEGORY	AMOUNT \$
Colleges and Universities	Grants for Universities and Related Organizations ..	569,287,992
	Grants for Colleges of Applied Arts and Technology	252,191,074
	Other transfer payments .....	90,231,790
		<u>911,710,856</u>
Education	General Legislative Grants .....	1,330,535,055
	Payments to Teachers' Superannuation Commission, etc. ....	203,674,963
	Other transfer payments .....	12,613,615
		<u>1,546,823,633</u>
Health	Operation of hospitals and related facilities .....	1,372,559,570
	Payments re physicians and practitioners services under OHIP .....	649,644,827
	Other transfer payments .....	305,976,684
		<u>2,328,181,081</u>
Total		<u><u>4,786,715,570</u></u>



ACQUISITION/CONSTRUCTION OF PHYSICAL ASSETS includes all costs of acquisition and construction by contract of new and used buildings and engineering structures. Also included in this category is the cost of acquisition of land. Our audit of acquisition/construction of physical assets includes the examination of relevant contract records, procedures for awarding contracts and purchasing procedures. Asset records of projects, both under construction and completed, are also examined.

As previously indicated in section 10, the acquisition/construction of physical assets account does not include the cost of work performed by the Province's own labour force which contributes to new capital formation such as new buildings, engineering structures, etc., nor does it include the cost of materials and services provided by the Province for use by contractors on new capital formation projects. These expenditures, which totalled in excess of \$47 million for the year ended March 31, 1975, are charged to the administrative expenditure category and are included in the appropriate accounts classification—salaries and wages, services, etc.

ADMINISTRATIVE EXPENDITURE, as indicated in the foregoing summary, is identified by sub-categories, the content of which is largely self-explanatory. However, a more detailed description of the type of expenditure included in each sub-category is contained on Pages 9-10 of Volume 1 of the 1974-75 Public Accounts. Our audit of administrative expenditure includes an evaluation of the internal control over expenditure processing, and a review of inventory controls and purchasing procedures.

RECOVERIES FROM OTHER ACTIVITIES, MINISTRIES, ETC., relate mainly to costs incurred on behalf of other Ministries by certain Ministries as, for example, by the Ministry of Government Services with respect to the provision of printing and publishing services. The incurring Ministry subsequently effects recovery by transferring the costs involved to the benefiting Ministry. For Public Accounts presentation purposes, these recoveries are not netted against the particular expenditure category or sub-category (e.g. salaries and wages, services, etc.) but are deducted in total from aggregate expenditure.

**83. Audit Memoranda.** Memoranda on the various audits and examinations performed during the year were submitted to the Deputy Minister of each Ministry concerned. Observations and comments were made on matters noted during the conduct of the audits, including recommendations and suggestions for improvement in internal controls and general efficiency of the accounting process. The Deputy Ministers were asked to review the memoranda and to forward their comments on our findings and recommendations. This procedure provides each Ministry with an opportunity to question the position taken by this Office or to initiate immediate corrective action.

Matters which were raised in memoranda covering these audits, and which, in our considered opinion, should be brought to the attention of the Legislative Assembly, are included in subsequent sections of this Report. Not all of the subsequent content is of a critical nature; many of our comments are for informative purposes only.

Pertinent replies received from the Ministries to the time of completion of this Report have been included without further comment by this Office, but will be reviewed during subsequent audits of the respective Ministries.

**84. Suggested Corrective Action and Other Recommendations Contained in the Provincial Auditor's Previous Reports.** It is our practice to follow up on suggested corrective action and recommendations at the time of our next audit of the applicable revenue or expenditure area. Generally speaking, for those areas audited during 1974-75, we were satisfied that appropriate measures had been taken with respect to prior observations unless we have commented otherwise in subsequent sections of this Report.

**85. Newly Established Ministry.** The Ministry of Culture and Recreation Act came into force on January 14, 1975. Under the Act, the Ministry of Culture and Recreation was established for the purpose of encouraging responsible citizenship through the process of cultural and recreational development.

This act provided that the expenditure of the Ministry for the fiscal year ended March 31, 1975, as approved by the Lieutenant Governor in Council, be paid out of the Consolidated Revenue Fund. Expenditure for the period ended March 31, 1975 totalled \$180,006 and is reflected as payments with respect to statutory appropriations on Page 386, Volume 1 of the 1974-75 Public Accounts.

**86. Court Costs Paid but not Remitted to the Province, Ministry of the Attorney General.** During our audit of the revenue records of the Ministry of the Attorney General, a number of reports of the Management Audit Branch of the Ministry were reviewed. One such report made reference to a court which did not differentiate between the fines assessed and costs incurred on Municipal By-Law convictions. These costs are due to the Province as a charge for the use of the court's administrative procedures by the municipalities in the collection of these fines. As a result of the non-separation of fines and costs in this court, relevant municipalities are receiving the costs levied by the court in addition to the fines assessed under the Municipal By-Laws.

A total of \$299,511 was collected and paid to municipalities by this court on account of Municipal By-Law fines during the period January 1, 1970 to March 31, 1973. From a sample analysis of certain months, the Management Audit Branch established that the cost component of the

amount paid to municipalities was approximately 38.8 per cent, or \$116,210. A further audit had been completed up to September 4, 1974, and although the audit report had not been issued at the time of our review, it was ascertained that this situation remained unchanged. During the period April 1, 1973 to September 30, 1974 a total of \$180,679 was collected and paid to municipalities re Municipal By-Law convictions. Application of the previously determined cost factor would indicate that a further \$70,103 in costs has been overpaid to the municipalities.

It was recommended that this court be directed to separate fines and costs when recording the penalties levied and collected in all cases where the fine is payable to other than the Treasurer of Ontario, and to remit the applicable cost portions of such penalties to the Province. It was also recommended that steps be taken to recover the total costs paid in error to these municipalities.

With regard to this matter the Ministry subsequently commented as follows:

"The situation referred to in the Provincial Auditor's report, regarding penalties in by-law cases, remains unchanged. This same set of circumstances exists in Ottawa. Section 4 of the Administration of Justice Act, R.S.O. 1970, specifies that all such fines are payable to the Municipalities. We can find no authority which would enable the Ministry to instruct the Courts otherwise."

**87. Delay by Some Courts in Remitting Prepaid Fines to the Province, Ministry of the Attorney General.** Upon reviewing the reports of the Ministry's Management Audit Branch, we noted reference to the fact that courts in Metropolitan Toronto were not remitting prepaid fines (viz. fines paid before court date) to the Treasurer of Ontario when collected.

The term used at these courts for prepaid fines is "Futures", and it is the practice of the Metro Area Courts to retain these payments in the court bank accounts until the court date set for each case. The court dates covering these prepaid fines can extend over a period of four months from the date of payment. As at September 30, 1974, it was established that prepaid fines being held in this manner amounted to \$665,537.

The accounting procedures for prepaid fines as set out in the Ministry's Manual of Administration require that prepaid fines be recorded daily on a prepaid fines court docket, and posted to the monthly return of fines paid. All other criminal courts in the Province follow these procedures and include such fines in their regular remittances to head office. It was, therefore, recommended that the Metropolitan Toronto courts follow the established procedures with regard to prepaid fines in order that the Treasurer of Ontario would have use of these funds on a more current basis.



We were informed by the Ministry on July 11, 1975 that:

"Moneys withheld as 'Futures' are now being invested in interest-bearing short-term deposits. Withdrawals are not made until the designated Court dates."

**88. Unpaid Fines Imposed by Provincial Courts, Ministry of the Attorney General.** An ageing of the unpaid fines imposed by the Provincial Court of one Judicial District revealed the following as at September 30, 1974:

DATE OF FINES	AMOUNT \$
Prior to December 31, 1971 .....	156,407
Year ending December 31, 1972 .....	33,466
Year ending December 31, 1973 .....	36,204
January to June 1974 .....	36,369
July 1974 .....	15,643
August 1974 .....	20,618
September 1974 .....	37,208
N.S.F. Cheques .....	2,237
	<u>338,152</u>

The ageing indicates that approximately 45 per cent of the unpaid fines were incurred prior to 1972, and it would appear to be unlikely that many of these fines will be collected. The records of this court showed that only \$17,753 of the pre-1972 fines of \$174,160 outstanding at May 31, 1973 were collected during the period June 1, 1973 to September 30, 1974.

Statistical records prepared by the Management Audit Branch of the Ministry of the Attorney General indicated that the collective total of unpaid fines imposed by Provincial Courts throughout Ontario amounted to \$17,631,930 at September 30, 1974. An ageing of this figure was not available at the time of the audit. However, figures produced by the Management Audit Branch as at May 31, 1973 indicated at that time that 10 per cent of fines unpaid were owed by non-residents of Ontario. Included in a report of a survey of unpaid fines by the Management Audit Branch dated July 11, 1972 was the statement that, "The unpaid fines balances in all courts include a considerable volume of items over five years old on which efforts to locate the defendants have failed." These balances were still included in the records and would therefore now be over eight years old.

We recommended that early consideration be given to a policy of writing off old fines which are deemed uncollectable due to various reasons such as death, non-residency, untraceable, etc. Such a policy should require a review of each item and approval by the Ministry before official write-off by Order in Council is requested. A more realistic accounts receivable balance would then be shown by each court.



On July 11, 1975, the Ministry notified us that:

“This Ministry is currently considering a new policy setting out standards by which the non-collectibility of unpaid fines can be judged (death, non-residency, etc.), and the degree of documentation deemed necessary to institute write-off.”

**89. Grants Made Prior to the Recipient's Need for Funds, Ministry of Colleges and Universities.** The following observations were made with regard to grants made by the Ministry to the Ontario Heritage Foundation:

#### *1973-74 Grants*

For the year ended March 31, 1974 a grant was made to the Foundation in the amount of \$1 million, the major portion of which was based upon a list of eleven restoration projects submitted to the Ministry of Colleges and Universities. As at March 31, 1974, the portion of this grant which had not yet been paid out by the Foundation amounted to \$426,744.

During the year ended March 31, 1975, based on our calculations, expenditure made by the Foundation relating to the above projects amounted to \$291,948, leaving a balance of \$134,796 still unexpended. We also noted that during the two year period ending March 31, 1975, the Foundation had not made any disbursements relating to five of the eleven projects.

In this regard we were advised that “at March 31, 1975, some portion of this money had still not been spent. This is not because of lessened interest or initiative on the part of the Foundation, but rather on account of difficulty in acquiring some properties, lack of local partners able to share costs, etc. Each of the unrealized projects on that list still has a chance of coming to pass, but the delay has inevitably altered the priority with which they can be viewed.”

The 1973-74 grants were paid in three instalments. One of these instalments, in the amount of \$225,000, was the subject of comment in March 1974 by the Audit Services Branch of the Ministry of Colleges and Universities. From their report we noted that this instalment was paid to the Foundation much in advance of the time that the amount was actually paid out by the Foundation. The Audit Services Branch recommended that such funds be released upon demand at a time appropriate to the needs of the specific project for which they were budgeted.

#### *1974-75 Grants*

For the year ended March 31, 1975, a grant was paid to the Foundation in the amount of \$950,000. Although this grant was treated as a transfer payment relating to “financial assistance for designated structures” in Volume 1 of the 1974-75 Public Accounts, we were advised by Foundation officials that there was no list available giving the allocation of this \$950,000.

In this regard, we were advised that "pending passage of the (Ontario Heritage) Act, some promises and encouragements verging on commitment were made to particular projects with the intent that assistance would be forthcoming after proclamation. By March 1975, there was genuine concern the moneys which had been planned as a grant to the Foundation in 1975-76 would not be adequate to permit it to honour commitments and meet delayed expectations, so at the year end the Ministry of Colleges and Universities made a \$950,000 grant to the Foundation."

#### *1975-76 Grants*

Effective with the 1975-76 fiscal year, grants to the Ontario Heritage Foundation are administered by the Ministry of Culture and Recreation. A review of the Estimates for the 1975-76 fiscal year indicates that the Ministry of Culture and Recreation will provide a further grant to the Foundation in the amount of \$1,100,000. In this regard, we were advised that "it is not expected that during 1975-76 the grant of \$1.1 million from the Ministry of Culture and Recreation will be made in advance of actual expenditure requirements during the year."

Taking the foregoing comments into consideration we recommended that a decision be made by the Ministry of Culture and Recreation as to the timing of grant payments to the Foundation, i.e., whether such payments should be made to the Foundation in advance, as is presently the case, or whether such payments should be made at the time that the funds are required by the Foundation. We further recommended that consideration be given by this Ministry to the disposition of the present unexpended portion of previous grants made to the Foundation when payments are being made on account of the 1975-76 grant.

As at the date of this Report, November 28, 1975, the Ministry had not had sufficient time to respond to our recommendations. We are, therefore, unable to present the Ministry's views in the matter.

**90. Grants Not Authorized by Legislation, Ministry of Colleges and Universities.** Purposes for which funds are disbursed by this Ministry on an annual basis include the following:

Grants for Universities and Related Organizations,

Grants for Colleges of Applied Arts and Technology and Other Organizations,

Grants for Student Support.

The requirements for most of these payments were not prescribed in The Ministry of Colleges and Universities Act, 1971, or in regulations made thereunder. The situation was commented upon in our 1972-73 Report (section 109). During the 1974-75 fiscal year a total of \$912,374,100 was

appropriated for transfer payments. In view of the substantial amounts involved we strongly recommended that the Ministry review its expenditure programs for the purpose of developing detailed regulations for those transfer payments not already covered.

Subsequently the Ministry reported as follows:

"As you mention later in your memorandum regulations regarding the Student Assistance Program were filed on February 17, 1975. The other many transfer payments which account for the larger part of the total transfer payment fund are the operating grants to Universities and Colleges of Applied Arts and Technology. These grants are paid according to clearly published criteria, and the underlying data upon which they are based are subject to audit by independent accounting firms. It is felt that it would be inappropriate to have regulations covering these payments. As you are aware the criteria upon which the grants are based are recommended to the Minister by two advisory bodies viz: the Ontario Committee on University Affairs and the Council of Regents. The Minister accepts their recommendations within the limits of the funds available. The recommendations are sometimes arbitrary decisions made by these bodies and result from extensive discussions with institutions. The factors which determine these grants are based on current needs and include:

1. the rate of growth of the institution up to the year under grant, and the related costs;
2. the fact of increasing enrolment;
3. the under- or over-estimation of the rate of increase in enrolment;
4. the courses currently in greatest demand and the corresponding mix of students;
5. the institutions currently favoured by students;
6. the state of the national and local economies;
7. current government policy.

The effect of these factors can be adverse, especially when aggravated by a cut in the rate of grant growth, and cause emergency and hardship situations with which we must cope.

Indeed, insofar as the Colleges of Applied Arts and Technology are concerned, a whole new basis for paying grants was introduced in 1975-76 and will be subject to change in future years, dependent on Council of Regent recommendations."

**1. Non-Required Payments into Colleges of Applied Arts and Technology Pension Fund, Ministry of Colleges and Universities.** Following the establishment of colleges of applied arts and technology, a number of members



of the Provincial Public Service were transferred to the staff of those colleges. The Boards of Governors of the colleges of applied arts and technology collectively entered into a management agreement under date of June 1, 1967 with The Ontario Municipal Employees Retirement Board as Trustee, for the management and administration of a retirement pension plan established for employees of the colleges who are not eligible to contribute under the terms of The Teachers' Superannuation Act. Payments were therefore made on behalf of these employees transferring their credits from the Ontario Public Service Superannuation Fund and the Teachers' Superannuation Fund to the new fund called the Colleges of Applied Arts and Technology Pension Fund.

An actuarial review was made of the Fund as at December 31, 1968 and the ensuing report indicated an actuarial deficiency of \$7,334,717 at that date. The report recommended a special contribution by the employer of \$613,764 per year for 20 years commencing in 1970 to liquidate the deficit. Accordingly these payments commenced in the fiscal year ended March 31, 1970.

Another actuarial review was made of the Fund as at December 31, 1971. The report of this review, dated November 22, 1972, revealed a surplus of \$5,595,996 and indicated that the special contributions were no longer required. However, a payment of \$613,800 was made on November 6, 1972, just prior to the issuance of the report, and another payment in the amount of \$615,456 on February 1, 1974.

According to senior officials of the Ministry, these payments were justified on the basis that the Fund could probably use the extra amount to pay greater benefits which may be payable in the future. However, since the Fund was reported to be in a sound actuarial position at the time of the last review, we are of the opinion that payments to the Fund in addition to the usual contributions were unnecessary.

On August 11, 1975 the Ministry advised that:

"The decision to pay \$615,456 into this fund on February 1, 1974, and to allow the payment of \$613,800 paid on November 6, 1972, to remain in the fund was a good business decision based on our knowledge of future events. These two payments had been properly budgeted for in the appropriate years and omitted from subsequent years' estimates. The decision has been justified by the results of the current actuarial review of the plan. Although no formal report has been issued regarding the latest review, we have been advised by the actuaries that:

'There seems little doubt at this time that the results of our December 31, 1974, valuation when available will confirm the need for the special payment.'



The future events which we anticipated would affect the fund were:

- (1) the transfer to the plan of all staff employed in nursing training schools—now completed.
- (2) the correction of deficiencies in the plan so as to bring it into line with the Public Service Superannuation Plan and the Teachers' Superannuation Plan—not yet completed.

As it is, the transfer to the plan of staff employed in nursing schools will cause a deficiency in the Plan of \$425,000 (i.e., the difference between the service credits to be transferred and the total liability if service credits are to be granted in full in respect to the transfers). The anticipated deficit would have been greater if the two payments had not been made. Besides, due to the budgeting cycle, we would have been unable to act to remedy a deficit position before April 1, 1976."

**92. Weaknesses in Purchasing Procedures, Ministry of Colleges and Universities.** The Audit Services Section of the Ministry performed an audit of "Purchasing" for the period April to August 1974 but the formal report had not been issued at the conclusion of our audit. However, we reviewed the "list of observations for discussion" which included reference to the following:

1. Some items were purchased without following the required purchasing practices and no reason for this action was noted.
2. Some Purchase Orders were issued and no price or price limit was indicated on the Purchase Order. It was recommended, "if no specific price can be arrived at, then a limiting clause should be noted on the Purchase Order".
3. Some items that should have been tendered were not, nor did they bear the Director's signature which would have exempted them from the Tender Procedure when special circumstances exist.
4. Several orders were placed with the prior supplier of goods or services without going through the normal purchasing procedures or checking other potential sources of supply.

The Audit Services Section recommended that normal purchasing practices be followed or written documentation be obtained to explain any exceptions.

On August 13, 1975 the Ministry informed us that the recommendations of the Audit Services Section had been implemented.

**93. Overpayments to Recipients of Provincial Benefits, Ministry of Community and Social Services.** According to Ministry records, outstanding overpayments to recipients no longer receiving Provincial Benefits amounted

to \$5,835,925 as at March 31, 1975, an increase of \$1,909,460 during the 1974-75 fiscal period. Several individuals' files revealed that overpayments to these recipients had not been followed up by the Ministry. Information on these inactive cases is being assembled and will be transferred to the computerized Overpayment Recovery and Follow-up System (ORFUS). It is hoped that these overpayments will then be adequately followed up in future.

The preceding comments were included in our memorandum dated October 31, 1975 to the Ministry. As at the date of this Report, November 28, 1975, no response had been received. We are, therefore, unable to present the Ministry's views in the matter.

**94. Payments Due under Assigned Agreements, Ministry of Community and Social Services.** In our 1972-73 Report (section 113) we commented on the procedures in effect for the recording and collection of accounts receivable from deserting fathers, to which the Ministry had entitlement by reason of the assignment of these amounts by recipients of allowances under The Family Benefits Act. We had indicated to the Ministry that the accounting records and related activities in effect within the Ministry were not considered adequate to provide a satisfactory measure of control over moneys recoverable under assignment agreements. We had also made several recommendations to improve the records and procedures.

The Ministry, in response to these comments, advised that procedures for the automatic enforcement of maintenance orders had been established by the Ministry of the Attorney General, and that it had been agreed between the two Ministries that the Courts would have responsibility for maintaining the records of payments made under such orders. In addition, it was ascertained that the Ministry had recently established a Parental Support Program under which personnel from the Ministry would work in co-operation with the Courts in dealing with maintenance recoveries.

No attempt was made during our most recent audit to assess the effectiveness of the Ministry's collection procedures. A general review, however, was made of the records and procedures in effect related to assignment agreements. The following observations were made as a result of this review:

1. A record has not been established to show the total amount due from deserting fathers to which the Ministry has entitlement by reason of assignment agreements. Although the Court records set out the total overdue payments required under each court order, the portions of these arrears to which the Ministry has claim are not segregated.
2. A record has not yet been instituted to reveal the names and number of deserting and divorced spouses who have chosen to make payments directly to the Ministry rather than to the courts, the amounts

required by the pertinent court orders or agreements, the moneys actually received from the individual debtors or the value of the assigned amounts in arrears.

3. Assignment agreements are not numerically controlled in a central area, nor do the Courts acknowledge receipt of these agreements or confirm that a court order is in force in the amount shown on the assignment agreement. As a consequence, it is not possible to ascertain the total number of assignment agreements in force or to ensure that each agreement has been received and properly acted upon by the court concerned.
4. On occasion the Ministry receives cheques from deserting, putative or divorced fathers pursuant to a court order or agreement which are refused by the banks, on presentation, because of insufficient funds. In these cases a letter is forwarded to the debtor requesting that proper payment be made. Although a copy of each letter requesting payment is sent to the Family Benefits Branch for filing, follow-up procedures have not been established to ensure that such payments are received. It was noted that orders made in the various Courts specify that payments are to be made in cash or by certified cheque or money order. In these instances the Ministry may be disregarding the direction of the Courts by accepting uncertified personal cheques.

In our 1972-73 Report we also indicated that neither The Family Benefits Act nor The Deserted Wives' and Children's Maintenance Act contained any provision regarding the assignment of the monetary rights of the deserted family to the Ministry of Community and Social Services. During our most recent audit we noted that this matter was the subject of comment in a recent Provincial Court judgement which stated, in part:

"Maintenance at common law is a right in personam and not in rem. It is not assignable. There is nothing in The Deserted Wives' and Children's Maintenance Act nor in The Family Benefits Act specifically providing for an assignment of the benefits of a maintenance order to the Family Benefits Branch of the Ministry of Community and Social Services, where a mother is receiving public assistance. Form 2, provided for under s. 2(1) of The Deserted Wives' and Children's Maintenance Act, does provide that payments may be made to the wife's agent, authorized in writing. That form contemplates nothing more than an arrangement of convenience for the receipt of moneys by the wife through her agent. It does not suggest that such an agent is capable of becoming a party to proceedings or initiating proceedings on behalf of the wife . . . while clearly there should be some remedy to permit a welfare agency to recover through court proceedings moneys paid out by the agency for



the support of wives and children, there presently does not appear to be such remedy either in the legislation or at common law."

The Ministry replied on November 3, 1975 to the observations made during our most recent audit and commented as follows:

"1. On the basis of an agreement between this Ministry and the Ministry of the Attorney General, the latter has assumed responsibility for maintaining financial records related to assignments under court order. This Ministry does not maintain financial records but relies on the systems in the courts for this purpose. The Ministry does maintain records related to the number of outstanding assignments and the controls in respect thereof are dealt with under point 3 below. In view of the above, the Ministry is of the opinion that the implementation of control records on totals would not result in improvements in internal control sufficient to justify the administrative complexities and costs involved.

2. In cases where spouses have chosen to make payments directly to the Ministry rather than to the courts, the Ministry will establish appropriate records showing the amounts required by the pertinent court orders or agreements, the moneys actually received from the individual debtors and the value of the assigned amounts in arrears.

3. Assignment agreements are now identified and controlled through the Family Benefits ONTAP system. This system can produce print-outs identifying all active cases with assignments and in fact a reconciliation of these assignments has been carried out by the Parental Support Workers against Court orders. Each District Office has Alpha Indexing of assignments and the Toronto District Office at least has acknowledgement from the Courts of assignments received. Steps are being taken to have all District Offices follow this procedure.

4. The Ministry is in agreement with, and will establish procedures to implement the recommendation suggesting the establishment of improved follow-up procedures related to obtaining a replacement cheque for personal cheques refused by the banks because of insufficient funds. However, as an assignment is a voluntary agreement and has no legal base, the Ministry is not in a position to *ensure* that such payments are received.

To the best of our knowledge, maintenance orders made in the Courts do not specify that payments are to be made in cash or by certified cheque or money order. The Ministry takes the position that to refuse to accept a personal cheque could result in no payment being received at all. It is our understanding that the Courts have taken a similar position regarding personal cheques.



With respect to the comment that neither The Family Benefits Act nor The Deserted Wives' and Children's Maintenance Act contains any provision regarding the assignment of maintenance to the Ministry, our position is that legislative provision for this purpose is not required. This position is reinforced by the fact that when we started the practice of obtaining assignments, we had to approach each Family Court Judge individually and all Courts implemented the procedure. We feel that the consensus of some 50 Family Court Judges should provide sufficient authority to validate the procedure.

The merits of an amendment to The Deserted Wives' and Children's Maintenance Act to provide for such assignments is an issue in the deliberations of an inter-ministerial study on support obligations between this Ministry and the Ministry of the Attorney General."

**95. Incomplete Inventory Records, Ministry of Consumer and Commercial Relations.** When the Ministry of Consumer and Commercial Relations was designated exempt from pre-audit on November 30, 1972, it had not met the internal control criteria for the safeguarding of assets. The Ministry anticipated that the controls would be completed by May 31, 1973, but at the time of our review (October, 1974) the controls were not fully effective. We noted, for example, during a test of equipment inventories that some items purchased were not recorded in the inventory records. We therefore again recommended that every effort be made to establish and maintain accurate records of furniture and equipment in the Ministry.

On April 9, 1975 the Ministry notified us as follows:

"The initial inventory as submitted by the various responsible units of this Ministry plus all new purchase transactions from April 1/74 to the effective date (December 2/74) were recorded and transmitted for key punching and computer print-out to the Ministry of Government Services.

The first print-out for all offices was completed and a copy forwarded with Ministry policy and procedural guidelines to all offices during the first week in December 1974. The initial returns from these offices indicate a number of discrepancies between physical and recorded inventories.

During the balance of the 1975 calendar year, adjustments will be made to the inventory listing; to account for County-owned assets which, while in use in Ministry premises are not recorded on the inventory listing; to remove duplication of entries which has resulted from late submissions from offices where new purchases have been recorded on submitted listings and also recorded from new purchase documents; to

account for discrepancies through physical confirmation of recorded inventories."

**96. 1974-75 Expenditure Charged to 1973-74 Appropriation, Ministry of Consumer and Commercial Relations.** During our review of the expenditure records of the Ministry of Consumer and Commercial Relations we noted that expenditure of approximately \$10,000 pertaining to goods and services to be received in the 1974-75 fiscal year was paid from the 1973-74 appropriation. We recommended that payments made near the end of the fiscal year be subject to special review to ensure that the expenditure is charged to the correct fiscal year.

The Ministry has since advised:

"Majority of the items listed by the Auditor covers renewal of subscriptions and payment of service agreements, beginning April 1, 1974 to March 31, 1975. In the past it has been the practice to pay these accounts in advance as the invoices are generally received early in March. However, we will in the future comply with the Provincial Auditor.

One item of \$4,500 authorized for payment in 1973-74 is an estimated cost of insertion of the Consumer Buy-Line Column feature 'Watch out for Distribution Schemes that Promise Big Profits', that was placed in various newspapers in April 1974. An analysis was made to ensure that the column was indeed placed and tear sheets are available as confirmation.

As the Auditor points out, charges should have been paid in 1974-75 despite the fact that planning for the newspaper display was made in 1973-74. Instances of this kind, if they occur again, will be dealt with consistent with the advice of the Provincial Auditor."

**97. Expenditure Preceding Phase-out of Burwash Correctional Centre, Ministry of Correctional Services.** A news release from the Ministry dated July 19, 1974 announced that the Burwash Correctional Centre was being phased out and would be closed before March 31, 1975. This action was indicated to be in accordance with a plan developed by the Ministry in 1972 to ensure maximum use of improved facilities, to phase out certain institutions where this was practicable, and to place offenders in institutions close to their homes.

During the three year period ended March 31, 1975 funds totalling in excess of \$1,500,000 were expended on capital construction and the repair, renovation and alteration of existing buildings and installations at the Burwash Correctional Centre. Included in this total were construction costs of

\$453,000 relating to a staff quarters building for unmarried employees that was completed in May 1973, and \$116,200 relating to a construction garage that was erected in the 1972-73 fiscal year.

It is understood that the Centre was officially closed before the projected date of March 31, 1975, and that administrative responsibility for the institutional buildings was transferred to the Ministry of Government Services. The staff at the Centre were given the option of alternative employment within the Ministry at their present salaries and classifications and were assured of reimbursement of their relocation costs. In this latter respect, Ministry officials indicated that the total relocation cost for moving employees and their families from the Burwash area was in excess of \$200,000.

With regard to relocation costs we were advised by the Ministry on June 30, 1975 that:

"The Auditor stated that officials of the Ministry advised him that the total cost of relocating employees and their families from the Burwash area was in excess of \$200,000. The Chief Accountant has now compiled figures indicating the actual total cost to be approximately \$249,000 and the average cost of moving employees from Burwash was \$1,000 below the ministerial average."

**98. Absence of Follow-up Procedures for Outstanding Cheques, Ministry of Government Services.** Further to our comments in last year's Report (section 101), we again reviewed the situation with regard to outstanding cheques. The total of cheques outstanding from one to five years amounted to approximately \$590,000 as at March 31, 1975, an increase of about \$140,000 over the amount previously noted.

Following our previous audit, we recommended that the internal audit staff of the Ministry which authorized the issuance of the cheque be advised when a cheque remained outstanding for more than a reasonable period of time. We felt that the internal audit staff could investigate the circumstances and then make recommendations as to the appropriate action to be taken. The Deputy Minister of the Ministry of Treasury, Economics and Intergovernmental Affairs subsequently advised as follows:

" . . . . We see it as an integral part of internal control that ministries are not made aware of the status of cheques which they presume to have been paid. I am sure you would agree that the system should prevent the opportunities for collusion within the ministry with outsiders which would be presented by the disclosure of such information. Accordingly, my staff is writing to the Director of Government Accounting Branch specifically to prohibit this action."



We are still of the opinion that some follow-up procedures with regard to outstanding cheques are warranted. Of the cheques outstanding from one to five years, for example, we observed that twelve cheques were for amounts ranging from \$5,000 to \$59,000, for an aggregate value in excess of \$185,000. We find it difficult to accept that cheques of this magnitude can remain outstanding for such a long period of time. Such a situation, we feel, dictates further investigative action.

In its reply dated September 10, 1975, the Ministry of Government Services made the following comment:

"We consider that your suggested procedure of informing the internal audit of the issuing ministry when cheques remain outstanding for unduly long periods is reasonable. If information were to be passed directly to the program staff or even the accounts payable section of the ministry, we would share TEIGA's concern."

The Ministry of Treasury, Economics and Intergovernmental Affairs undertook to further review the matter of outstanding cheques and advised the Ministry of Government Services on October 23, 1975 as follows:

"We have reviewed with Provincial Audit staff the continuing references made to a follow-up procedure for outstanding cheques. An agreement has been reached which is consistent with our previously stated position while acknowledging the Provincial Audit recommendations.

The agreed method is as follows:

1. Unsolicited information on outstanding cheques will *not* be supplied to *any* ministry personnel.
2. Since all outstanding cheques dated 1973 and before have now been cleared from the bank reconciliations into the Reserve for Outstanding Cheques, Treasury Division will review and investigate the disposition of items of a substantial nature such as mentioned in the recent Audit memo.
3. The system is now in place where, annually, as one calendar year's reconciliations are completed, the preceding year's outstanding cheques are transferred to the reserve i.e. 1974 cheques when 1975 reconciled. At that time, as an ongoing part of the process, Treasury Division will investigate those items which, in its opinion, are warranted."

**99. Accounts Receivable re the Recovery of Prior Years' Expenditure, Ministry of Government Services.** As at February 28, 1975, the Ministry records indicated that accounts receivable respecting the recovery of prior years' expenditure totalled \$245,362, and consisted of debit balances amount-



ing to \$365,229 and credit balances totalling \$119,867. The large credit balances in these accounts receivable records were due to the fact that the amounts owing for printing and stationery services at March 31, 1974 had not been set up as charges to this category of accounts receivable, although payments relating to these charges had been credited thereto. The charges omitted from the records amounted to \$158,584, and as a consequence the accounts receivable at February 28, 1975 were understated by a similar amount. This omission was drawn to the attention of the staff concerned and the charges were subsequently recorded in March 1975.

The major outstanding item in this category of accounts receivable was a recorded debt of \$358,982 from The Law Society of Upper Canada with respect to a portion of the costs of renovating Osgoode Hall. We were advised that The Law Society of Upper Canada had agreed to pay a share of these renovation costs on the premise that the Crown would convey to the Law Society that portion of the building which it occupied. The Crown was not prepared to convey the property to the Law Society and offered to lease the premises to the Society over a period of years. The Law Society did not accept this offer to lease and application has been made to the Treasurer of Ontario and Minister of Treasury, Economics and Intergovernmental Affairs to write off the debt.

On October 31, 1975 the Ministry advised that:

“Action has been taken to ensure that reconciliations are regularly carried out and that entries in control accounts reflect the position of subsidiary records.”

and

“Approval has now been received to write off the balance due from the Law Society and appropriate action has been taken.”

**100. Comprehensive General Liability Insurance, Ministry of Government Services.** The Ontario Government Risk Management Program is administered by the Ministry of Government Services. Responsibilities of the Ministry include the purchase of necessary insurance coverages. With respect to general liability coverage, ‘premises only’ liability insurance was purchased in 1974-75 and prior years. This insurance provided coverage to the Province for third party claims for negligence arising out of ownership of property and was subject to a liability limit of \$500,000 per occurrence.

Upon review, the conclusion was reached that the ‘premises only’ coverage was inadequate for the Province’s current needs, and should be replaced by protection of a very broad nature covering all premises and operations of the Government of Ontario which were not specifically insured elsewhere. Following public tender and the selection of the lowest quotation, a new

insurance policy was purchased effective April 7, 1975. This policy included coverage for the following risks: Blanket Contractual Liability; Medical Malpractice Liability; Watercraft Liability; Professional Liability re bodily injuries and property damage claims; Tenants' Legal Liability; Personal Injury Liability (libel, slander, etc.); and Product and Completed Operations Liability. In recognition of both the increased magnitude of insurance judgments in Canada in recent years and the potential risk exposure of the Province, the liability limit on the new policy was raised to \$5,000,000 per occurrence.

The comprehensive general liability insurance protects each Ministry of the Government of Ontario, all employees while performing duties related to their employment, and all members of the Legislative Assembly while acting within the scope of their duties, from suits or actions brought by third parties for negligence causing bodily injury, property damage or financial loss to the third party. Protection is also provided to employees of certain Crown Agencies—e.g. Ontario Housing Corporation and Ontario Place. Inclusion of Crown Agencies' employees under the insurance program is at the option of the Ministry concerned. The annual premium on the new policy currently approximates \$475,000. This cost is apportioned to each Ministry on the basis of an assessment of the relative risk involved.

Officials of the Ministry of Government Services have indicated that loss ratios and premium costs under the comprehensive general liability insurance coverage will be closely monitored with the view toward the future possibility of the Province self-insuring its liability exposures.

**101. Employee Home Owner Assistance Plan, Ministry of Government Services.** The Employee Home Owner Assistance Plan was approved by Management Board of Cabinet on June 4, 1974 and came into effect on July 1, 1974. The purpose of the Plan is to assist and protect those employees who, through normal organizational changes, are moved from one locality to another. The Plan has been operated for the Government by a realtor selected by the tendering process. On January 26, 1975 Management Board approved certain amendments to the Plan including arrangements to re-tender the contract effective January 1, 1976. Under existing arrangements, clearances of title for properties "held in trust" by the realtor are obtained through individual Orders in Council. It has been proposed that the re-tendered Plan should allow the real estate or trust company to take title to properties which remain unsold after the initial listing period. The present clause in the Plan gives title to the Government after the initial period.

As at January 31, 1975, twenty-six properties having guaranteed purchase prices totalling \$972,650 were being "held in trust" by the realtor. Sixteen properties previously "held in trust" by the realtor had been sold as follows:

- three at profits totalling \$2,450,
- eleven at losses totalling \$27,150, and
- two at the guaranteed purchase prices.

**102. Improvements Warranted in Asset Control System, Ministry of Government Services.** The Finance Branch is responsible for the maintenance of a computerized asset control system with the safekeeping of Ministry-owned assets being the responsibility of the appropriate program management.

The computer listing for the Housekeeping Section, Property Management Branch, was checked against the records maintained in that section. Differences in the two sets of records included:

- omissions of location codes on the computer listing,
- wrong location codes on the computer listing,
- assets on computer listing not on section records,
- assets on section records not on computer listing.

Many items of equipment carried on the inventory of the Realty Services Branch have been assigned to employees for field use. As much of this equipment is valuable, we suggested that signatures of the employees be obtained to supplement the card file records.

The Asset Inventory Report for December, 1974 indicated that a number of assets with a total value of \$6,135 were unaccounted for or missing. Included in this group were three electronic calculators valued at \$1,115. Another two calculators valued at \$168 were reported missing or stolen on or about November 28, 1974. We recommended that special security precautions be arranged for equipment subject to easy removal.

In its reply dated August 29, 1975, the Ministry stated that:

“A new computerized control system was introduced in April, 1974, and as was anticipated, ‘teething’ problems were experienced in the conversion and implementation process. The matters referred to in your comments have been, or shortly will be, resolved.

Instructions are issued periodically to program managers reminding them of the need for special precautions for equipment subject to easy removal. There is a system in effect for reporting losses to the Finance Branch and the Security Force.”

**103. Weaknesses in Procedures for Disposal of Assets, Ministry of Government Services.** The procedures governing the disposal of assets are set forth in section 20 of the Manual of Supply. Our examination included a review of the procedures and a limited test of the records maintained at the Assets Disposal Service premises in Mimico.



Weaknesses were noted in the control of incoming shipments of assets. Ministries and Agencies declare assets surplus by completing a requisition form. We noted that some requisitions had been amended by receiving store personnel so as to reflect actual quantities and descriptions as received at the Mimico Warehouse. The Ministries evidently do not obtain a receipted copy of the requisition form from a representative of the Assets Disposal Service at the time of pick-up of the stores. To improve internal control, we recommended that:

- (a) declaring Ministries and Agencies be reminded to prepare requisitions accurately, using the forms and procedures set out in the Manual of Supply; and
- (b) appropriate copies of requisitions be receipted by Assets Disposal Service personnel at the time assets are picked up and by Ministry or Agency representatives when assets are delivered.

A comparison of the dates assets were received at the warehouse and subsequent disposal by shipment to Ministries or Agencies indicated a fairly rapid turnover. We were informed that approximately 80 per cent of the assets are re-shipped. Consequently, it would appear that a system of direct transfer between Ministries would be feasible, assuming proper control could be exercised.

Surplus assets not required by other Ministries within a reasonable period are disposed of by public tender. A review of the procedures in this connection indicated weaknesses in internal control:

- (a) assets set aside for sale or scrap were recorded on shipping forms which did not bear the approval of an official;
- (b) assets were written off inventory cards when set aside thus removing any formal record; and
- (c) some assets were set aside for sale directly upon receipt at the warehouse without being recorded on the inventory cards.

We recommended that proper control be maintained over these items.

We also observed that there were no special procedures prescribed for dealing with assets of antique or historic value. Such items have evidently been recognized in incoming shipments on occasion. Listed on inventory at the date of our audit was a locked wooden chest said to contain "objects of art" from Expo '67. We suggested that procedures be developed to preserve assets having a possible historic value.

A limited test of the physical inventory under the control of the Assets Disposal Service revealed discrepancies in four of ten categories counted. We felt, therefore, that a complete physical inventory should be taken at the



earliest opportunity so that discrepancies could be investigated and corrective action taken.

With regard to the foregoing comments the Ministry subsequently advised:

"A number of changes in procedure have been made in this area to correct the internal deficiencies to which your memorandum refers. Direct transfers between Ministries are arranged whenever possible but often the nature and condition of items declared surplus cannot be properly ascertained before shipment to Mimico. We are not staffed to be able to ensure evaluation of surplus items from the point of view of historic or antique value. However, the matter has been drawn to the attention of the manager and closer attention will be paid to this aspect.

A complete physical inventory was taken as of March 31, 1975, and the records have been adjusted to reflect the apparent discrepancies. Some of the differences are the result of inconsistencies in designation or classification of some items. Due to the wide range of goods handled and the mobility of staff, some items may be recorded under different headings when added to or taken from inventory. Many of the 'shortages' were compensated for by 'excess stock' for this reason. However, better controls are now in effect to minimize this problem."

**104. Delayed Recovery of Overpayments re Home Care Assistance, Ministry of Health.** Home care assistance is covered generally by The Ministry of Health Act, 1972, and in the fiscal year 1974-75 payments, mainly to local health units, amounted to \$10,030,919. This program, when commenced by the Ontario Hospital Services Commission, was oriented towards chronic care but, because of its cost-savings potential, its current direction is as a substitute for care in high-cost institutions, such as hospitals.

Actual expenditure incurred for home care assistance, which is paid entirely by the Province, is subject to audit by the Audit Services Branch of the Ministry. Most of the 1973-74 audits had been completed at the time of our review in August 1975 but many 1974-75 audits were unfinished. It seemed that completion of the latter was delayed because revised 1974-75 budgets for home care assistance had not been approved. We recommended that this be done as soon as possible.

A review of audits completed for the 1973-74 fiscal year indicated that accumulated net overpayments for home care assistance as at March 31, 1974 amounted to \$952, 086. Some overpayments were quite substantial, but no action appeared to have been taken at the time of the audit to effect recovery. It was difficult to see how substantial overpayments could occur if cash flows were adjusted to actual expenditure reported on monthly operating statements.

A similar observation was made at the time of our previous audit in response to which the Ministry indicated that it intended to study the present system, keeping in mind the audit comments, and implement improvements wherever possible. However, no changes were observed during the current audit.

The preceding comments were included in our memorandum dated October 31, 1975 to the Ministry. As at the date of this Report, November 28, 1975, no response had been received. We are, therefore, unable to present the Ministry's views in the matter.

**105. Duplication of Subsidy to Public General Hospitals for Computer Costs, Ministry of Health.** The Toronto Hospital Computer Centre serves eleven hospitals in the metropolitan area, providing them with billings for patient and clinical charges as well as business and financial information. The Hospital for Sick Children, one of the participating hospitals, operates the computer centre.

A review of the 1973 settlement file of this hospital indicated that the computer centre had incurred a deficit in 1973 of \$267,402, with this operating loss shared on a pro-rata basis by the eleven hospital participants. Each of these member hospitals had included its share of the deficit in its operating costs, but the file of the Hospital for Sick Children indicated that the total expenditure of the computer centre had been treated as part of its operating costs. Accordingly, a portion of the 1973 deficit of the computer centre was subsidized twice by the Ministry.

The total duplication was \$237,870, which was the deficit of \$267,402 reduced by the share payable by the Hospital for Sick Children in the amount of \$29,532. Since it is understood that central computer centres are now in operation in various parts of the Province, we recommended that the expenditure of the hospitals operating these centres be examined very closely to prevent any recurrence of this type of duplication.

The preceding comments were included in our memorandum dated October 31, 1975 to the Ministry. As at the date of this Report, November 28, 1975, no response had been received. We are, therefore, unable to present the Ministry's views in the matter.

**106. Grant Payments not in Accordance with Regulation, Ministry of Health.** Ontario Regulation 441/74 under The Public Hospitals Act approved a payment of \$700,000 in connection with the construction of a hospital. It stated that \$550,000 of this was to be paid in the 1974-75 fiscal year and the balance in 1975-76. It was found in the course of the audit that \$660,000 was paid in 1974-75, but no amendment to the regulation to permit the additional payment of \$110,000 in 1974-75 was requested.

This comment was included in our memorandum dated October 31, 1975 to the Ministry. As at the date of this Report, November 28, 1975, no response had been received. We are, therefore, unable to present the Ministry's views in the matter.

**107. Possible Conflict of Interest, Goderich Psychiatric Hospital, Ministry of Health.** During the course of the audit we ascertained that a member of the permanent medical staff at the hospital had been submitting claims on a regular basis to the Ontario Health Insurance Plan with respect to the provision of psychotherapy services. These claims, which had been paid in the 1973-74 and 1974-75 fiscal years in the amounts of \$28,245 and \$36,119 respectively, were in addition to the salary payments of \$35,180 and \$38,078 that the member had received from the Ministry of Health in the same two year period. It was felt that the maintenance of a medical practice of this magnitude, in addition to the performance of duties expected from a member of the permanent medical staff, could give rise to a conflict of interest.

This situation, as well as details of the 1974-75 medical claims submitted to the Ontario Health Insurance Plan by the staff member, was drawn to the attention of Ministry officials for further investigation and review.

The Deputy Minister subsequently advised that:

"This matter was investigated by a team of senior Ministry personnel, both specifically to the member of the permanent medical staff at this hospital, and generally to others across the Service. As a result, Conflict of Interest Guidelines (attached) for Professionals were issued, and are now in effect. Insofar as the specific individual is concerned, it has been ascertained that most of the billings are within previously established rules. Investigation is continuing on about \$1,000.00 of billings to determine if any duplication of patient care exists. I will be in touch with you further on this item in the near future."

**108. Questionable Application of Industrial Therapy Funds, Goderich Psychiatric Hospital, Ministry of Health.** The audit of the industrial therapy department at the hospital revealed that funds in excess of \$300 had been expended in 1972 on the purchase of cedar log siding, support timbers, shingles, stain and other miscellaneous items that did not appear to be consistent with the nature of the industrial therapy operation. Since the use of these materials was not reflected in any of the work orders examined, the industrial therapy shop staff was questioned as to the type of project that would require such purchases. It was indicated that these materials had been purchased to construct a log tool-shed for a member of the medical staff and that, on completion, the shed had been transported to the property of the staff member concerned.



This shed could not be located on the hospital property, and a subsequent review of receipts issued by the industrial therapy department did not reveal any evidence that payment had been received for the cost of the materials used on this project, or for the labour provided by industrial therapy workers.

The Ministry has since informed us that:

"An invoice was presented to the staff member concerned. This account has been paid in full by cheque on November 14, 1975."

**109. Disposition of Uncashed Cheques Originally Issued in Payment of Medical Claims, Ministry of Health.** Uncashed cheques issued in payment of medical claims under the Ontario Medical Services Insurance Plan (OMSIP) and the Ontario Health Services Insurance Plan (OHSIP) have been transferred at intervals to the Reserve for Outstanding Cheques account.

As at March 31, 1975, the total transferred to the Reserve account amounted to \$968,368, of which \$171,568 applied to OMSIP and the balance of \$796,800 to OHSIP cheques. Since OMSIP and OHSIP, the predecessors of the Ontario Health Insurance Plan, have not existed for several years, it was suggested that consideration be given to transferring these funds to revenue.

The preceding comments were included in our memorandum dated October 31, 1975 to the Ministry. As at the date of this Report, November 28, 1975, no response had been received. We are, therefore, unable to present the Ministry's views in the matter.

**110. Non-Compliance with Administrative Procedures, Ministry of Housing.** During the course of audit we noted that a consulting firm contracted with the Ministry to perform a study at a cost which was not to exceed \$40,000 without prior written approval. The consultant billed the Ministry for the full \$40,000 but indicated that the fees calculated on a time basis were \$2,742 greater than the contracted amount. However, the consultant expressed a willingness to accept the contract amount. Nevertheless, the consultant was paid the additional charges on March 31, 1975.

In another instance a firm of barristers and solicitors was retained for the purpose of preparing purchase agreements for the acquisition of land. The payments for these services were made without compliance with the government-wide common legal services program which states that a client Ministry shall "submit billings from private sector legal counsel for amounts in excess of \$1,000 to the Ministry of the Attorney General for review and approval before payment". All billings from the solicitors in question were for amounts in excess of \$1,000 and totalled \$101,581 in the 1974-75 fiscal year.



The Ministry replied on November 14, 1975 and commented as follows:

“Attention was drawn to a consulting firm contract where a maximum of \$40,000 was established, not to be exceeded without prior written approval. The consulting firm billed the Ministry for the \$40,000 contractual amount but indicated that actual costs incurred to complete the contract amounted to \$42,742. A performance review was carried out and a decision was made to reimburse the consulting firm for actual costs, due to the highly satisfactory nature of the work performed. The additional \$2,742 was fully authorized by responsible Ministry officials prior to disbursement.

Reference was made to legal fees paid to a firm of Barristers and Solicitors for the purpose of preparing purchase agreements for the acquisition of land. All such fees were paid in accordance with the terms of an agreement between the North Pickering Project and the solicitors. The agreement was given verbal approval by the Assistant Deputy Attorney General, Common Legal Services, prior to execution.

The legal fees referred to were operational expenditures covering routine day to day transactions. Under current procedures, such routine matters are dealt with by the legal services representatives of the Ministry of the Attorney General assigned to the Ministry of Housing. Counselling involving litigation or other services, not of a day to day operating nature, are in all instances referred to the Ministry of the Attorney General and approved by the Assistant Deputy Attorney General.”

#### **111. Waiver of Licensing Requirements, Ministry of Industry and Tourism.**

In our 1972-73 Report (section 96) and in our 1973-74 Report (section 113) we commented as follows:

“The Tourism Act, 1972 requires a person operating a tourist establishment to obtain a Tourist Establishment Licence, and the Regulations made under the Act govern the issuance of licences and the payment of the related fees. It has been the policy of the Ministry to waive this requirement for any establishment that is licensed under The Liquor Licence Act. Consideration should be given to making provision for these exemptions in The Tourism Act, 1972 to ensure that Ministerial policy does not contravene the legislation.”

The situation remained unchanged during the current audit period and we recommended that positive steps be taken to resolve the matter without further delay.

On July 14, 1975 the Ministry notified us:

"The Justice Policy Field Committee of Cabinet has asked for recommendations to resolve the practical and legislative conflict arising from the Ministry's practice of not licensing tourism establishments which are licenced under the Liquor Licence Act.

To this end, two meetings have been held chaired by this Ministry and including representatives from the Liquor Licence Board, the Fire Marshal's office, the Ministries of Health and Natural Resources, and Management Board.

It is expected that a recommendation will be ready for presentation to the Justice Policy Field Committee of Cabinet by the end of July, 1975."

**112. Vacation-With-Pay Trust Account, Ministry of Labour.** A residual balance of \$2,415,185 remained on deposit in the Vacation-with-Pay Trust Account at March 31, 1975. The balance in this account consists of funds derived from the sale of vacation-with-pay stamps which have not been redeemed and stamps returned to the Ministry which have not been claimed.

The Hours of Work and Vacation with Pay Act came into force on July 1, 1944. This Act provided that every employee in an industrial undertaking be given a vacation of at least one week with pay for every working year of his employment. A system of vacation-with-pay credit stamps was established to enable employers to pay employees any vacation entitlement at the time they ceased to be employed.

As a result of subsequent legislative amendments, including the repeal in 1968 of The Hours of Work and Vacation with Pay Act by The Employment Standards Act, the use of vacation-with-pay stamps was phased out as a method of paying employees for vacation entitlement. The sale of stamps was discontinued during the 1969-70 fiscal year. Since that time redemptions have steadily diminished.

Disbursements of these trust funds in the 1973-74 and 1974-75 fiscal years amounted to only \$7,172 and \$1,437 respectively. We suggested that Ministry officials should review all aspects of this trust account to determine if a portion of the funds, in excess of estimated future requirements, should now be transferred to revenue.

On November 27, 1975, the Ministry responded as follows:

"In order to resolve this matter all related information is being key-punched and tabulated (scheduled completion date January 31, 1976). The results will be analysed and recommendations for the transfer of appropriate amounts to revenue will be made by March 31, 1976."

**113. Adverse Observations re Administrative Expenditures, Ministry of Natural Resources.** The Ministry of Natural Resources engaged the services of a consultant on public relations to manage several information and public relations programs. Our audit disclosed periodic payments to this consultant during the period July 1973 to February 1975 although a formal agreement was not drawn up or executed. We understood that tenders for the work were not invited from other consultants in the field.

On March 1, 1974 this consultant was appointed to the Unclassified Staff as a Public Relations Officer 2. This appointment was extended to December 31, 1975. During a considerable portion of the period this person was, therefore, acting in a dual capacity as a supplier of services and as a member of the Ministry staff. Payments to this person during the period March 1, 1974 to March 6, 1975 were as follows:

Salary, as Public Relations Officer 2 .....	\$13,988
Services, as supplier in public relations programs .....	23,811
	<u>37,799</u>

Hospitality accounts submitted by four members of the staff were reviewed. It was noted that these expenses totalled \$38,511 in the period March 31, 1973 to February 12, 1975 and that \$16,162 of that amount consisted of direct purchases from the Liquor Control Board of Ontario and Brewers Retail Stores. We observed that no effective inventory control was maintained over these purchases.

A review of the purchases of photographic equipment for the Information Branch revealed that 17 cameras and 1 projector costing a total of \$3,727 had not been recorded on the inventory records. Also, a physical count of photographic equipment failed to locate 13 items which were included in the inventory records and charged to the Information Branch or the Park Management Branch.

It was noted that no control had been established over the photographic film in the Information Branch. Films were kept in an unlocked refrigerator and no record of them was kept by the Branch. We recommended that records be established to control the inventory of films.

The Internal Audit Section of the Ministry reviewed the records of Purchasing and Unclassified Payroll of certain regions and districts during the period under review. The reports on these reviews indicated that, in general, the established guidelines and procedures of the Ministry were being followed. Exceptions and other matters commented on in these reports included the observation that tendering procedures in several regions and districts were not followed. The Internal Audit report on the Northeastern Region dated March 7, 1975 pointed out four such instances:

- (a) " 'Request for quotation' forms were prepared for five suppliers in order to obtain competitive prices for a boat, motor and accessories.

Instead of being mailed out to the suppliers, a Ministry employee went to the supplier's place of business, explained what was required, and received a written quotation on-the-spot, unsealed, then went on to the next supplier.

After travelling approximately 300 miles, in order to obtain these prices, it was decided to accept the quotation from the only local supplier who had submitted a quotation.

The employee who had obtained the prices, then completed a 'Certificate of Need' form and signing as Budget Control Officer, authorized the issuance of a purchase order. This same employee then signed the 'receiver's copy' of the purchase order.

There was no evidence of the tender committee taking part in this transaction via use of Form SE.213 (Record of Tender Opened and Award Made) or any other written procedure to indicate formal approval of this purchase by the tender committee."

- (b) "A minimum of twenty-two outboard motors were purchased by the various Districts in the Region during the past year.

The formal tender procedure was used in obtaining the best price from local suppliers.

However, the Administrative Services Branch issued price lists for Government purchases of outboard motors from specified suppliers on January 29, 1974 which reflected considerable savings over purchases from local dealers.

Comparing the price paid by the Region against the published price lists on twelve (12) motors, showed an amount of \$3,351.71 that could have been saved. In some cases, the Ministry paid nearly double the quoted prices by the parent companies.

It is recommended that all future purchases of outboard motors be made through Administrative Services Branch where the comparable price cannot be obtained through local dealers."

- (c) "Form SE.213 (Record of Tenders Opened and Awards Made) is not being completed in all cases by the tender committee, resulting in an impression of a formal approval of major purchases not being carried out."
- (d) "Approval for the waiving of calling of tenders for purchases in excess of \$1,000 requires the prior approval of Financial Management and Administrative Service Branches. It was discovered that this requirement is quite often being ignored."



On October 1, 1975, the Deputy Minister responded as follows:

“As the services of this particular consultant are uniquely suited to several Ministry information projects, an application has been made to Management Board to have this person employed on a Group I unclassified contract. Although this proposal and request for approval have been before Management Board for some weeks, a series of deferments in this period has meant that the matter has not yet been finally determined. As soon as this has been dealt with by the Board I shall provide you with details.

All liquor purchased has been for functions at which the Ministry has acted as host. To minimize possible abuses, authority for such purchases is very strictly limited to a small number of individuals. As a result, while possible abuse is minimized, individual purchases may appear large.”

and

“The missing photographic items have all been located.”

and

“The findings and items reported on by the Internal Audit Group are circulated to the appropriate Ministry officials and are monitored on a regular basis. All such findings are reviewed on subsequent audits, the frequency of which depends on manpower availability. Every reasonable effort to assure compliance with procedures will be exerted.”

**114. Delayed Relocation of Logging Operations, Ministry of Natural Resources.** During our audit of acquisition and construction of physical assets in the Ministry of Natural Resources we noted that a decision was made in 1971 to suspend all logging operations in Quetico Park. One result of this decision was that the operations of a company working in the Park would be transferred to another area outside the Park. The Ministry of Natural Resources assumed the responsibility for providing the company with an equivalent logging camp in the nearby area to be occupied by July 1974. The Ministry had two alternatives in supplying these facilities:

- 1) to supply and erect the camp, for which the staff estimated a cost of \$271,000;
- 2) to pay the company \$380,000, which was its estimate of the cost.

The Ministry chose the first alternative. Tenders were duly called, a contract was made, and a manufacturer completed construction of a prefabricated camp in March 1974, at a cost of \$217,869. Since the Ministry had not completed the necessary clearing of the site, the manufacturer was released from

the responsibility of transporting and erecting the camp at the site. It became necessary for the Ministry to rent vacant land to store the buildings from March to December 1974, at a cost of \$2,925.

At the time of the audit, the new camp was not being used and the company was still operating the camp at Quetico Park. Furthermore, no agreement had been made with the company to formalize the arrangements. The company had asked for \$348,000 to complete the work required at the new campsite and the Ministry had offered the prefabricated buildings and \$210,600. A draft agreement was prepared in December 1974 but had not been presented to the company at the conclusion of the audit.

In a memorandum dated August 7, 1975 the Ministry commented as follows. In quoting the Ministry the term "the Company" has been substituted for the actual name of the company involved.

"In 1971 the Ontario Government prohibited further logging in Quetico Provincial Park and as a result a logging camp of the Company situated within the Park became obsolete. Because of this the Crown agreed to replace the aforementioned logging camp with a camp of comparable size approximately 16 miles north of Sapawe, Ontario.

After assessing the options available, the Ministry decided to supply and erect a camp.

Tenders were called for the construction of buildings, supply of materials, delivery and erection of the camp, and a contract eventually awarded. Construction was completed by March 1974, but because the Ministry did not have the camp site prepared, the manufacturer was not able to erect the buildings.

The delay in having the camp site prepared was due primarily to the lack of a contractor willing to do the job.

By the fall of 1974, because the camp site had not yet been prepared and camp erection underway, we were becoming concerned that failure to have the camp available for occupancy by the Company by the spring or early summer 1975 could make the Ministry liable to further claims from the Company for additional logging costs.

As the Company appeared to be the only party with the resources available to prepare the camp site and erect the buildings by the spring or early summer we discussed the matter with them and secured their agreement for the undertaking. Funds were made available for the purpose and an agreement to formalize the arrangements was signed on January 20, 1975 by the Minister and the Company.

The Company moved into the camp on May 1, 1975."

**115. Loans under the Fisheries Loans Act, Ministry of Natural Resources.**

Loans under this Act amounted to \$898,164 at March 31, 1975. No recoveries were received nor new loans granted during the year. The Interim Report of the Standing Committee on Public Accounts, dated July 10, 1975, made the following recommendation on the outstanding loans to fishermen:

"In view of the fact that no interest has been charged and no repayments made on the loans to commercial fishermen from the Ministry of Natural Resources the Committee again recommends to the Ministry of Natural Resources that they review this situation with a view to removing these loans from their books."

The Ministry wrote to us on October 15, 1975 and advised that:

"The write-off of the uncollectable loans of \$898,163.74 incurred under The Fisheries Loans Act has been authorized by Order-in-Council No. 2458/75 dated September 7, 1975.

However, an amount of \$193,241.00 was received from the Government of Canada, which, by agreement, was to be returned if the loans were repaid. The disposition of these funds is presently under negotiation."

**116. Guaranteed Annual Income System, Ministry of Revenue.** Transfer payments under the Guaranteed Annual Income System (GAINS) are made under the authority of The Ontario Guaranteed Annual Income Act, 1974, which became effective July 1, 1974. Commencing on that date the Province established a guaranteed annual income system for Ontario residents who have reached age 65 or who otherwise qualify under the Act. As at March 31, 1975 the annual guaranteed income level was in the amount of \$2,766 for an individual and \$5,532 for a couple.

During the period July 1, 1974 to March 31, 1975, expenditure under the GAINS program totalled \$61,374,624.

Payments to recipients are made on the basis of direct applications, application transcripts from the Ministry of Community and Social Services records or upon information filed with the Department of National Health and Welfare (Canada) by recipients of the Guaranteed Income Supplement.

Information furnished to the Department of National Health and Welfare under the Old Age Security Act (Canada) by recipients of the Guaranteed Income Supplement (GIS) is deemed under provisions of The Ontario Guaranteed Annual Income Act, 1974 to be information upon which eligibility for a GAINS increment may be determined. Almost 98 per cent of the monthly GAINS increment payments being made are to recipients whose eligibility has been determined from information obtained from the above-mentioned source.



The Old Age Security Act (Canada) imposes restrictions upon the communication of information obtained in the course of the administration of that Act. The restriction applies to details of age and income as well as to certain other information filed by the recipients. Age and income are two of the criteria upon which the determination of an increment is based. In the absence of such information in respect of GIS recipients, the Guaranteed Income and Tax Credit Branch has accepted the age qualification established under the Old Age Security Act (Canada), and by inference computes the declared income of a recipient from the supplement rate granted under that Act.

The validity of the information obtained from the Department of National Health and Welfare is dependent upon the integrity and competency of the GIS applicants and the effectiveness of the verification procedures performed by the Department of National Health and Welfare. The effectiveness of the computerized system for payment of the increments under The Ontario Guaranteed Annual Income Act, 1974 will vary almost directly with the quality of the above-noted information. Some measure of the reliability of the income information filed in GIS applications is indicated in the following:

- (a) Certain GIS recipients who transferred from a "Family Benefits Branch increment application status" were receiving the guaranteed income supplement at a rate which appears to have been based on a lower declared income than that filed under The Family Benefits Act for the same qualifying year.
- (b) The Department of National Health and Welfare has amended the GIS rate for several thousand recipients. The changes appear to have resulted from income checks made and in most instances involved retroactive reductions in the GIS rate. As the GAINS increment payment rate is computed from the GIS rate, recipients were also overpaid under the Guaranteed Annual Income System. The probability of recovery of overpayments under GAINS appears unfavourable as the declared income of recipients is low and the amounts cannot be deducted from the Old Age Security Pension payments in the manner that overpayments under GIS are. Indications are that the continuing revisions in income criteria will involve the Branch in a high volume collection activity.

**117. Non-Recovery of Costs of Services Provided by the Ontario Provincial Police, Ministry of the Solicitor General.** Section 62 of The Police Act makes provision for the Solicitor General to enter into an agreement with the council of any municipality for the policing of the whole or any part of the municipality. During the audit period there were thirteen municipalities paying for policing services by the Ontario Provincial Police under separate



agreements with the Ministry. We noted, however, that an additional number of towns and villages were receiving this service without charge by the Ministry. It is felt that appropriate steps should be taken to recover the costs of policing activities performed for any town, village or township which is considered to be responsible for its policing and maintenance of law and order.

In a reply dated September 16, 1975, the Ministry stated:

"The revenue audit comment is noted. In this regard the Ministry of the Solicitor General and the Ministry of Treasury, Economics and Intergovernmental Affairs are conducting a joint review related to the financial implications involved in Municipal policing by the Ontario Provincial Police. Appropriate decisions will be made regarding the recovery of costs after the report has been submitted to this Ministry."

**118. Delayed Billing for Recovery of Costs, Ministry of Transportation and Communications.** During our review of Acquisition/Construction of Physical Assets activity in the Ministry of Transportation and Communications up to August 31, 1974, observations in the area of cost recovery included the following:

In connection with the construction of Highway 427 a portion of the land and construction costs were chargeable to the Borough of Etobicoke. These costs pertained to access roads and entrances to a shopping mall. It was noted that the cost-sharing agreement with the Borough was drawn up in July 1969 but was not signed by the Borough until December 1972. Since most of the expenditure occurred in 1969 and 1970 an interim billing could have been made when the agreement was signed. However, at the time of our review in the latter part of 1974, no billing had been made. Approximately \$600,000 of recoverable cost was involved.

A portion of the land and construction costs at the Highway 427 and Eglinton Avenue West interchange are recoverable from the Municipality of Metropolitan Toronto. Construction on this contract was substantially completed in March 1972 and a billing was issued to the Municipality for its share of the construction costs. However, it was not until December 1973 that the Municipality was charged for its share of the land costs, most of which had been paid for by the Ministry prior to mid 1970. It is understood that the billing, in the amount of \$1,147,833, was issued following a request from the Municipality. Although this delay of 3½ years might have been due to the fact that the agreement was not signed until April 1973, we noted that the agreement was originally drawn up in November 1970, and that the Municipality acknowledged its involvement by paying for the construction costs in July 1972. In any event, the delay in billing caused the Province to suffer loss of use of a substantial sum of money for a considerable period of time.

The Ministry subsequently commented:

"The Auditor's comments in connection with the construction of Highway #427 and the cost sharing arrangements with the Borough of Etobicoke are basically correct. However, this was a most complicated piece of construction which involved not only the Ministry and the Borough of Etobicoke, but also Metropolitan Toronto and the Cloverdale Mall in sharing the costs of property purchase and construction the details of which were not all covered by cost sharing arrangements as precisely as we might have liked. There was therefore, a great deal of reluctance on the part of the Ministry to bill in haste."

and

"Regarding Highway #401, Highway #27 and the Eglinton Avenue Extension, the agreement referred to in the Audit was originally dated November 16, 1970, and subsequently redated April 2, 1973. However, it was signed by the Honourable John R. Rhodes, as Minister of Transportation and Communications, who did not assume his duties until February, 1974.

On page 7 of the Minutes of the Post (Internal) Audit Meeting for Central Region held on March 19, 1974, the minutes indicate that the agreement had not been executed as of that date.

A memorandum dated February 4, 1970 to the Director of Services from the Regional Services Manager indicated that the Municipality of Metropolitan Toronto did not want to be invoiced until after the agreement was ratified."

**119. Delayed Receipt of Rental Income from Expressway Property, Ministry of Transportation and Communications.** Under agreements executed with certain municipalities concerning expressways, the Ministry receives 75 per cent of the net income derived from properties purchased for expressway purposes which are leased by the municipality until they are required for expressway construction or are declared surplus and sold. Under procedures currently in effect, the municipalities do not forward these payments to the Ministry until after their records have been examined by the Ministry's internal audit section, and an invoice submitted to them indicating the payment required. These procedures cause delays in the receipt of such payments by the Ministry. For example, rental income of \$34,628 due from the City of Windsor for the year ended December 31, 1973 was not invoiced until January 15, 1975, and rental income of \$34,600 due from the City of Kitchener for the period January 1, 1972 to July 31, 1973 was not invoiced until January 15, 1974.

We felt that the municipalities should remit the Ministry's share of rental income on a regular basis and that these payments should be verified by the internal audit section at a later date.

The Ministry subsequently advised:

"The Auditor's remarks have been noted in connection with rental payments from municipalities of the Ministry's share of rental income from properties which are temporarily not required for highway construction purposes. The whole subject is being reviewed in an attempt to speed up the recovery of these funds from the municipalities concerned."

**120. Inadequate Control Over Vehicle Registration Fees, Ministry of Transportation and Communications.** At the time of preparation of this Report, an audit of the revenue records of the Registrar of Motor Vehicles was in progress.

In the early stages of this audit, a situation was observed which was considered of sufficient importance to be brought to the attention of the Ministry through an interim audit memorandum. This situation concerns the lack of effective controls over moneys collected by licence-issuing agents and over the stocks of licences and permits in the hands of these agents.

Vehicle registration fees are the major source of revenue of the Ministry and exceeded \$165 million in each of the 1973-74 and 1974-75 fiscal years. These fees are received, in the first instance, by licence-issuing agents and are transferred to the Agents Control Office at regular intervals for subsequent deposit as revenue. Each transfer of fees is accompanied by a report which indicates the numerical sequence of permits issued in the period and the related fees that were charged.

It is the responsibility of the Agents Control Office to ensure that the fees collected by the agents are accurate, that such fees have been properly and promptly transferred to the Ministry, and that the issuers have processed the licences in the proper numerical sequence.

Certain stages in this operation were processed, since inception, in a computer installation established by the former Department of Transport. At that time the manual examination of agents' reports by the Agents Control Office was a number of months in arrears. The computer system was discontinued and responsibility for the processing of subsequent transactions was transferred to the computer installation operated by the Ministry of Transportation and Communications at Downsview. This operation, in turn, was taken over by the Ministry of Government Services and became operational on July 2, 1974.



No appreciable delay in service was expected under this new arrangement because the same processing was required for subsequent 1974 transactions. It was also anticipated that the processing routines performed at the Ministry of Government Services Data Centre would reduce the delay in the manual examination of issuers' reports.

At the commencement of the current audit (October 1975) it was found that the expected results had not been obtained, and that the processing of the agents' stock sequence and dollar control records was then a year in arrears. Consequently, the Ministry did not verify the accuracy of the 1974 vehicle registration fees received from the individual agents after September 1974, nor was any control established over the numerical sequence of the stock of permits and validation forms allotted in the 1974 licence year.

Commencing with the 1975 registration year a completely new computerized integrated vehicle system was to be established. One of the peripheral programs in this new system was the processing of agents' reports, referred to as the "Agents subsystems". The purpose of this program was to verify the accuracy of the agents' reports and to maintain stock sequence and dollar value controls for each licence-issuing agent on a current basis. Despite the fact that this subsystem was required to be operational on December 1, 1974, a computer programmer was not assigned to the task until February 1975. As a result, the computer program only became available for use, after limited testing, in April 1975.

A number of agents' reports were eventually processed in this subsystem some seven months after they were received by the Ministry. The results of this activity indicated an error factor in excess of 90 per cent. Due to this error factor, it was apparently decided that no further action would be taken at that time to up-date the dollar value or stock control records. As a result there was no control established, at October 8, 1975, over the stock of permits and validation forms allotted to agents for the 1975 licence year. In addition, there was no verification performed of the accuracy and proper transmittal of the related fees, estimated at \$180 million, which were collected by the agents since December 1974.

It should be the responsibility of the Registrar of Motor Vehicles to maintain accurate records of drivers and vehicles and the responsibility of the Financial Branch of the Ministry to ensure that a proper accounting is made of related revenues. There was no indication that any member of the Financial Branch was involved in the design or implementation stages of the integrated vehicle system proposed for the 1975 registration year.

In view of the importance of accurate and timely output from the computer system we recommended that consideration be given to a complete review of the entire computer operation by qualified persons. We also sug-



gested that the Registrar of Motor Vehicles should retain and continue any manual controls in effect until the data processing is operating in a satisfactory manner.

The Deputy Minister replied to our comments on November 12, 1975 and outlined in considerable detail the circumstances which had given rise to the difficulties described and the efforts which had been made to overcome them. While not in full agreement with all of our observations, the Deputy Minister did not dispute the seriousness of the situation. In concluding his remarks he stated:

"I cannot disagree with your concern. It is a concern which I feel strongly myself and which I know is felt by the staff who are working desperately to find a quick solution. However, I feel bound to say that there does not appear to be any readymade, immediate solution to the problem.

Meanwhile, in an attempt to gain some time and hopefully reach a solution as quickly as possible, the following steps are being taken:

1. Errors to date (i.e. in the 1975 Issuing Year) are being scanned as quickly as possible to eliminate the obvious, simple validation errors and other minor errors, which it is considered should not affect monetary or inventory controls. We will by-pass those mismatches between the validation sticker report and the financial report for '1975 Issuing Year' but will conduct a sampling analysis to identify the error types, their magnitude as well as their frequencies. This will enable '1975 Issuing Year' results to be completed early in the '1976 Issuing Year' and in the meantime enable us to remain fully in control of the situation.
2. A change is being made in the orientation of input data, from a batch control orientation to an Agent control orientation. This should greatly speed up the location of documents on which the computer has indicated there is an error, thereby speeding up the correction process.
3. All batches will be kept intact until a report is proved. In the past, because of other demands of the system, it has been necessary to break batches in order to resolve discrepancies. Because of the large volume of errors, so many cards were removed that it was virtually impossible to reconstruct a batch.
4. Instructions are being sent to Issuing Agents emphasizing the urgent need for them to prepare their reports as legibly and accurately as possible. In addition, a comprehensive Internal Audit report on Agents, expected in mid-January 1976, will be of significant value in this regard.

5. The Ministry's task force charged with the responsibility of finding interim and long term solutions to the problem has been instructed to redouble its efforts in this direction.
6. The 1976 Issuing Year is about to commence in a couple of weeks. Because it is a physical impossibility to have all errors corrected and the vehicle files in a completely up-to-date position, we propose to deal with the new licence year on a day-to-day, ongoing basis and to seek additional resources to deal with the existing backlog. In this way it is hoped to maintain the 1976 Issuing Year in an up-to-date position, whilst allowing the backlog to catch up as quickly as time and resources will permit.

Finally, if there are any suggestions which you feel might improve on the approach we are taking to try and resolve this problem, as quickly as possible, we shall be most happy to receive them."

**121. Incomplete Documentation re Road Construction and Purchase of Right-of-Way, Ministry of Transportation and Communications.** An amount of \$53,789 has been outstanding since December 1972 with respect to the cost of construction of a service road on an Indian Reserve near Sarnia, Ontario. This construction was carried out in conjunction with the contract for construction of new Highway 40 over certain Reserve lands. Under an agreement dated April 30, 1970, the Ministry paid the Department of Indian Affairs and Northern Development (Canada) the sum of \$650,000 on account of Reserve land to be used for right-of-way. A further agreement was drawn up on June 16, 1971 setting out the conditions for the construction of the service road and specifying that a deposit of \$50,000 would be lodged with the Ministry respecting the construction costs. This latter agreement was never executed. As at February 28, 1975 the position of the Ministry was as follows:

- (a) \$650,000 had been paid to the Federal Authorities for land for right-of-way without clear title to these lands having been received.
- (b) The agreement respecting the service road was not executed and, as a consequence, the required deposit of \$50,000 had not been received.
- (c) Negotiations were continuing between the parties concerned to resolve this matter and obtain title to the lands purchased by the Ministry.

The Ministry has since advised that:

"Due to a lack of progress in the resolution of a related dispute, the Federal Government has so far refused to complete transfer of the Reserve land used for highway right-of-way. When the road

work is completed a fresh attempt will be made to have the property turned over. This is a difficult problem and we cannot predict when or how it will be resolved.

Regarding the \$53,788.60 outstanding in connection with the service road, a meeting is now being arranged with the Indian Band Chief, the District Engineer, Chatham and the Regional Director, Southwestern Region to discuss its payment. It is anticipated that the Indian Band will tie in payment to the settlement of the outstanding dispute with respect to Highway #40 right-of-way and accordingly, the prospects for payment are uncertain."

**122. Modification of Tendering Procedures, Ministry of Transportation and Communications.** An amount of \$135,100 was received by the Ministry in March, 1974 from the sale of the ferry boat "Pierre De Saurel" and recorded as miscellaneous revenue. This ferry had been advertised for sale by public tender and nine bids were received. The offers received were considered too low in relation to the market value of the vessel and the tender was cancelled. The Ministry subsequently contacted the three highest bidders and invited further offers from them on the understanding that if the Ministry's value was not met, the vessel would not be sold. Two revised bids of \$125,000 and \$135,000 were received for the ferry. The Ministry then contacted the third tenderer, another Provincial Government, and advised it of the position as it had developed at that point. The ferry was finally sold to this latter party on submission of a bid of \$135,100.

Although strict tendering procedures had not been observed in this sale, Ministry officials pointed out that the companies submitting the two lower revised bids had indicated that the vessel would be used in a non-ferry commercial venture while the successful tenderer was in need of a ferry to serve the public. The Ministry, therefore, considered that it was appropriate to sell the vessel to the government body as maximum recovery was being achieved for Ontario and, at the same time, assistance was being given to another Provincial Government to fulfill its obligation to the public for a ferry service.

In a memorandum dated August 5, 1975 the Ministry further commented:

"The Auditor's statement covering the disposal of the 'Pierre De Saurel' is correct. However, it should be pointed out that as the Ministry did not have any previous experience with the sale of such vessels, we contacted the Crown Assets Disposal Office of the Federal Government to determine how they would handle a similar sale. The procedure subsequently used by the Ministry followed closely that outlined to us by the Crown Assets Disposal Office."



**123. Net vs. Gross Presentation of Fee Revenue and Related Commissions, Ministry of Transportation and Communications.** Our memorandum to the Ministry on the prior audit made reference to the fact that commissions earned by licence issuers had been netted against Vehicle Registration Fee revenue, and suggested that commissions should be shown separately in published statements.

Commissions paid in the 1973-74 fiscal year, amounting to \$3,467,179, were again netted against related revenues for financial statement purposes. We again recommended that the Financial Branch be instructed to submit these figures on a gross basis for presentation in the Public Accounts of Ontario in future periods.

On June 20, 1975 we were advised by the Ministry that:

"The Auditor's comment is well taken and the omission in the 1973-74 fiscal year was an oversight. Unfortunately, for the year 1974-75 it will be necessary to enter the net figures again. . . . The separation of these figures is dependent upon the operation of the computer programs."

**124. Property Acquired for Future Use, Ministry of Transportation and Communications.** The Ministry of Transportation and Communications acquires land under the Construction Program, mainly for the building of highways. A review of the expenditure records of the Ministry revealed that a portion of the expenditure for land acquisition is classified as "Property, Advance Buying". We were advised by the Ministry that this classification applies to land which will not be used for five years. Reasons for acquiring land in advance of the Ministry's requirements include the following:

- (a) availability of funds in the appropriation,
- (b) advantage in purchasing land as quickly as possible in time of rising prices,
- (c) land offered to the Ministry by the owners of those properties "cautioned" as a result of tentative plans of highway development being registered.

Land acquisition expenditure in the past three fiscal years is analysed as follows:

	1971-72		1972-73		1973-74	
	\$	%	\$	%	\$	%
Land purchased						
for current use	30,634,390	89.1	22,771,883	88.0	28,250,325	70.1
Land purchased						
for future use	3,766,589	10.9	3,096,702	12.0	12,065,684	29.9
Total	<u>34,400,979</u>	<u>100.0</u>	<u>25,868,585</u>	<u>100.0</u>	<u>40,316,009</u>	<u>100.0</u>



The Financial Comptroller advised that advance purchasing of land has been a policy of the Ministry for some years.

Funds are appropriated each year by the Legislature for the construction of highways. In our opinion, the policy of spending current funds on "Land Purchased for Future Use" is a matter which should be decided by the Management Board of Cabinet. We, therefore, recommended that all purchases of land in excess of current requirements be approved by Management Board of Cabinet.

The Ministry replied as follows:

"... the Auditor lists some of the reasons why the Ministry may acquire land in advance of its requirements. To these should be added:

- (d) 'there is hardship involved and the owner requests that the Ministry purchase the land'.

The Auditor goes on to recommend 'that all purchases of land in excess of current requirements be approved by Management Board of Cabinet'. At a meeting on December 7, 1967 between the Deputy Minister and other representatives of the Department of Highways and the then Treasury Board Secretariat, this suggestion was considered and the Treasury Board recommended that the Department establish its advance buying policy and only go to Treasury Board in connection with exceptions to that policy.

The subject is generally discussed at some length each year when the Ministry's Estimates are being reviewed, and Management Board would be advised of the funds included for possible advance property purchases. For a number of reasons, including those mentioned in the Auditor's Report, the precise amount cannot be established at that time.

At the present time it takes approximately 6 months from the date an enquiry is received until an offer is presented. Thereafter an additional three months is usually required to close the deal. To refer each advance purchase deal to Management Board of Cabinet for approval (assuming Management Board required this approach) certainly would still further extend this period of time.

This Ministry would recommend that the current policy remain in force."

**125. Refund Policy not Consistent with Legislation, Ministry of Transportation and Communications.** Our memorandum to the Ministry on the prior audit made reference to the Ministry policy of issuing a refund for 50 per cent of passenger vehicle registration fees if the related vehicle plates and permit were returned to the Registrar of Motor Vehicles within sixty days of their

issue. We also noted in the memorandum that these refunds were not specifically authorized by The Highway Traffic Act or the Regulations made thereunder.

On April 8, 1974 the Deputy Minister commented as follows:

"I would recommend that we continue our present practice of providing refunds based on Ministry policy rather than legislative authority since this allows the necessary flexibility in dealing with situations that arise from time to time that would otherwise not be covered by the existing legislation."

Section 5(1) of Regulation 418 made under The Highway Traffic Act describes the fees required for the registration of a passenger motor vehicle, and section 4(1) of the Regulation indicates the expiry date of the permit issued upon registration. The only apparent reference to a reduction of one-half of a registration fee is contained in section 5(3) of the same Regulation which indicates that such a reduction will be made when a registration is applied for after the first of September in the year for which the registration is made.

It would seem, therefore, that the refund policy adopted by the Ministry for passenger vehicle registration fee refunds is not consistent with the legislation. We again suggested that this matter be subject to review by Ministry officials.

The Ministry replied on June 20, 1975 as follows:

"The Auditor recommends that the present practice of refunds for passenger vehicle registration fees be reviewed by Ministry officials. The Ministry will prepare a proposal of the necessary regulation confirming the procedures now followed by the Ministry."

**126. Observations re Trading Activities in Investment Securities, Ministry of Treasury, Economics and Intergovernmental Affairs.** The total of Investment Securities at January 31, 1975, as shown by the records of the Finance Management Branch of the Ministry, was \$207,326,837. This balance included investments from the account of the former Ontario Water Resources Commission transferred into the Province's portfolio in October 1974, the book value of which was \$31,795,526 at the date of transfer.

Investment Securities in the past were intended primarily to provide income on funds surplus to current requirements. In recent years the Province has come to be progressively more active in open market operations in order to provide liquidity to holders of existing debentures, to improve the market for new issues by Ontario or Ontario Hydro, and to retire existing Ontario publicly held debentures prior to maturity. An indication of the change in

the activity over the last three fiscal years as shown by the records of the Ministry is reflected in the following table:

FISCAL YEAR	PURCHASE ACTIVITY \$	SALES AND DEBT RETIREMENT ACTIVITY \$
1972-73	30,647,228	21,117,072
1973-74	220,336,014	188,570,782
1974-75	617,041,619	549,701,265

This change in emphasis was outlined in a Treasury Division procedures directive dated April 19, 1974. The trading operation now involves a high volume of activity as the Province calls a two sided market in all Ontario issues.

The trading activities for the fiscal year ended March 31, 1975, resulted in a reported net gain of \$938,072. However, some of the activities did not appear to be financially beneficial to the Province or clear as to the purpose of the transactions. For example:

1. Sales of securities were made when there were insufficient balances in the trading portfolio of the issues to meet the settlements. These short positions were made up by transfer from the debt retirement portfolio or by purchasing additional securities. In addition, the settlement and delivery dates of some of the purchases were subsequent to the sales settlement dates and resulted in some loss of interest to the Province.
2. Instances were noted where purchases of securities were made from investment dealers and, prior to delivery of the securities, sold back to the same dealer, the only physical transfer being the exchange of cheques in the amounts of the purchase and sale. Some of these transactions noted in our audit test were sold back to the dealer at a price lower than purchased, which resulted in loss to the Province.
3. The Finance Management Branch records indicated trading in an Ontario Hydro debenture issue prior to the issue date of August 15, 1974. Purchases were made from June 30, 1974, and sales from July 27, 1974, all with specified settlement on the issue date. Instances were noted where up to four trading transactions took place with certain dealers in the period to issue date, and in some instances purchases and sales were made with the same dealer on the same day. The market price of these debentures fluctuated during this pre-issue period, and some of the sales were made at a lower price than the purchases.

We questioned whether the foregoing types of trading activities are in keeping with the Ministry's trading policy, which is not specific in the area of



acceptable trading activities, or are in accordance with the Province's policy of sound and efficient management of public money.

We recommended that the Ministry develop trading guidelines and procedures which would specify those trading practices and activities which are acceptable and those which are not acceptable. In addition, to strengthen control over the trading operation, it was felt that an Investment Committee should be formed for the purpose of independently reviewing all facets of the trading activities on a day-to-day basis.

The preceding comments were included in our memorandum dated August 27, 1975 to the Ministry. As at the date of this Report, November 28, 1975, no response had been received. We are, therefore, unable to present the Ministry's views in these matters.

**127. Redemption of Debentures Payable in Germany, Ministry of Treasury, Economics and Intergovernmental Affairs.** The Ontario debenture series EF payable in Germany matured in full on February 1, 1975, in the amount of 90,000,000 Deutsche Marks (DM). On the same day a portion of the EG series, also payable in Germany, matured in the amount of 15,000,000 DM. The gross proceeds from the above 105,000,000 DM debentures, issued on February 1, 1969, was \$28,061,600 Canadian.

To discharge the above liability on February 1, 1975, would have required an outlay of \$44,803,500 Canadian, calculated on the basis of the exchange rate of .4267 Canadian to one DM quoted by the Bank of Canada as being in effect on the first business day in February 1975. The loss of \$16,741,900 which would have resulted would have been due to the upward revaluation of the DM from the issue date of the debentures.

However, commencing in January 1974 DM were purchased and invested in DM Time Deposits to mature in January 1975 at a total value of 105,000,000 DM. The cost of the DM purchased during the year amounted to \$37,613,626 Canadian. As a result, the potential loss of \$16,741,900 was reduced to a recorded loss of \$9,552,026 due to the more favourable exchange rates in effect at the time DM were purchased for Time Deposit investment.

**128. Unreconciled Accounts re Investment in Debenture Issue, Ministry of Treasury, Economics and Intergovernmental Affairs.** In the course of our audit we observed that the Deutsche Bank of Germany, agents for the Province in series ER debenture operations, repurchased two lots of debentures at a cost of \$42,191 for the Province's investment portfolio in August and September 1974. However, reimbursement was not made to the Deutsche Bank until March 27, 1975.

The annual interest payment date to debenture holders of this issue is September 1. During the audit it was discovered that the interest payable on September 1, 1974, and remitted to the Deutsche Bank for payment to the



debenture holders, included interest on 3,149,000 DM debentures purchased and held as investments by the Province. At March 1975 the staff of the Ministry's Finance Management Branch was not aware of this and did not realize that interest of approximately \$70,000 (188,940 DM) was due to the Province as debenture holders.

As a result of questions which were raised in the course of audit, the Finance Management Branch sent a letter to the Deutsche Bank asking for certain information. The reply disclosed that:

- (a) The cost of the August and September 1974 purchases had been charged to an interest payable account maintained by the Deutsche Bank.
- (b) Interest payable to the Province on debentures held as investments was being held in the interest payable account in the Bank. The balance of this account at April 25, 1975, was reported to be 462,585 DM for which the Finance Management Branch had no reconciliation, details or analysis. The Bank's reply indicated that statements of account and supporting documentation had been mailed to the Province but Finance Management Branch had no knowledge of these.

It was evident that monitoring and control by the Finance Management Branch of the Province's investment in this issue, and of the related interest payments, had been lax. We recommended that all principal and interest activity be recorded and reconciled monthly with the Deutsche Bank, with special attention given to the activities as they relate to the Province's investment in the issue. In addition, we felt that the Deutsche Bank should be advised to refrain from applying the cost of purchases, commissions, etc., to the interest payable account, and that the account be used exclusively for interest obligations.

The preceding comments were included in our memorandum dated August 27, 1975 to the Ministry. As at the date of this Report, November 28, 1975, no response had been received. We are, therefore, unable to present the Ministry's views in the matter.

**129. Management Board Orders.** Section 5 of The Management Board of Cabinet Act, 1971 provides that, where an appropriation is exhausted or a sufficient amount was not provided and the public interest or the urgent requirements of the public service necessitate further payments, the Board may make an order authorizing payments to be made against such amounts as it considers proper.

A total of one hundred and sixty-three Management Board Orders authorizing expenditure of \$235,520,850 were issued with respect to the 1974-75 fiscal year. The amounts authorized by these Management Board

Orders averaged approximately \$1,444,900 and ranged from \$2,000 to \$52,064,000. A listing of Management Board Orders, showing the amounts authorized and expended thereunder, is included as Exhibit 5 to this Report.

**130. Management Board Orders not Utilized.** A review of the information detailed in Exhibit 5 reveals that no amounts were expended with respect to forty-nine of the Management Board Orders, totalling \$8,561,300 in authorized expenditure. As this situation seemed somewhat anomalous, we inquired into the relevant circumstances of several of the more significant instances with the following results:

Ministry of Transportation and Communications, Management Board Order dated December 10, 1974: \$4,111,000.

This Management Board Order authorized additional expenditure for the GO Transit portion of the Public Operations Program, Vote 2304-1. We were advised that the Management Board Order was requested to provide authorization for expenditure of the Toronto Area Transit Operating Authority in excess of that included in the 1974-75 Estimates.

The Authority was established effective June 28, 1974. However, the legislation under which the Authority was established provided that, with the approval of the Lieutenant Governor in Council, the moneys required by the Authority through March 31, 1975 were to be paid out of the Consolidated Revenue Fund. Necessary funds therefore constituted a Statutory Appropriation with the result that expenditure authorization by Management Board Order was unnecessary.

The funds required by the Authority for the period through March 31, 1975 totalled \$8,872,141 and are reflected as payments out of Statutory Appropriations on Page 343 of Volume 1 of the 1974-75 Public Accounts (see also section 139).

Ministry of Health, Management Board Order dated March 25, 1975: \$1,100,000.

Ministry of Transportation and Communications, Management Board Order dated March 25, 1975: \$775,000.

Ministry of Treasury, Economics and Intergovernmental Affairs, Management Board Order dated April 7, 1975: \$450,000.

Ministry of Agriculture and Food, Management Board Order dated April 7, 1975: \$335,000.

Ministry of Natural Resources, Management Board Order dated April 22, 1975: \$299,000.

In all of the above instances we noted that the Ministries had requested additional funds in anticipation of total 1974-75 expenditure for the relevant

programs exceeding the amounts voted by the Legislature. In each case the Ministry's expectation was not realized, with the result that the funds authorized by Management Board Order were not utilized.

**131. Management Board Order re Ontario Place Development.** The accounting allocation of a Management Board Order issued March 6, 1975 at the request of the Ministry of Industry and Tourism warrants specific mention.

The 1974-75 approved Estimates (Vote 2008-2) authorized \$1,233,000 for Ontario Place Development. A Management Board Order dated March 6, 1975 increased Vote 2008-2 by an additional \$4,704,900. This amount was to be utilized by Ontario Place Corporation to repay all loans for development purposes received from the Province to and including the 1974-75 fiscal year.

The amount of \$1,233,000 is reflected in the analysis of Vote 2008-2 by Standard Accounts Classification in both the 1974-75 Estimates and in the 1974-75 Public Accounts. It is described as "Disbursements—Loans for Construction". The amount of \$4,704,900 is not, of course, reflected in the 1974-75 Estimates but is shown in the analysis of Vote 2008-2 by Standard Accounts Classification in the 1974-75 Public Accounts. It is described as "Transfer payments—Grant to repay construction loans".

**132. Special Warrants.** Section 4 of The Management Board of Cabinet Act, 1971 provides for the issue of a Special Warrant, when the Legislature is not in session, authorizing payment of an amount required to meet an expenditure not foreseen or provided for by the Legislature and which is urgently required for the public good.

No Special Warrants were issued during the year ended March 31, 1975.

**133. Board of Internal Economy.** The Office of the Assembly was established, effective December 20, 1974, under The Legislative Assembly Amendment Act, 1974 (No. 2) and is administered by the Board of Internal Economy. This Board is composed of seven members—Speaker, as chairman, three commissioners appointed by the Lieutenant Governor in Council from among the members of the Executive Council, and one commissioner from within and appointed by the caucus of each of the Government, the Official Opposition and the party having the third largest membership in the Assembly.

Under section 85 of the referenced legislation the Board of Internal Economy may authorize the transfer of moneys from one item of the estimates of the Office of the Assembly to another item within the same vote. Section 85 also stipulates that the Provincial Auditor shall make special mention in his Report of any such transfers.



During the fiscal period ended March 31, 1975, the Board of Internal Economy authorized one transfer of \$136,000 from Item 4 of Vote 201, the Sessional and Other Requirements activity, to Item 2 of Vote 201, the Hansard activity.

**134. Teachers' Superannuation Fund.** Expenditure by the Province with respect to the Teachers' Superannuation Fund is made through the Ministry of Education and is detailed on page 394 of Volume 1 of the 1974-75 Public Accounts. This expenditure may be summarized, with comparable figures for the preceding year, as follows:

	1974-75 \$	1973-74 \$
Contributions, including interest, designed to match those of contributors to the Fund .....	65,415,322	60,873,376
Payments re Unfunded Liability .....	68,478,000	30,137,600
Payments re Experience Deficiency .....	55,909,800	
Payments re Minimum Pension Subsidy .....	13,190,837	8,192,178
Miscellaneous payments .....	2,120	2,120
	<u>202,996,079</u>	<u>99,205,274</u>

In total, 1974-75 expenditure exceeded 1973-74 expenditure by over \$103 million, the major portion of which was attributable to increased payments by the Province with regard to the Fund's unfunded liability and experience deficiency. The following is presented by way of explanatory comment.

#### *Unfunded Liability*

Section 8 of The Teachers' Superannuation Act stipulates that "when the payments into the Fund in any year are insufficient to make the required payments out of the Fund, the deficiency shall be made up out of the Consolidated Revenue Fund". The unfunded liability of the Fund, therefore, constitutes a potential liability to the Province.

The actuarial report on the Fund dated November 13, 1974 indicated an unfunded liability of approximately \$557,877,000 as at December 31, 1972. The previous actuarial report covering the period ended December 31, 1969 disclosed an unfunded liability of \$382,265,000. The substantial increase in the amount of the unfunded liability as at December 31, 1972, reflected the general salary increases and the plan amendments experienced during the preceding three year period.

With respect to the unfunded liability of \$557,877,000 currently disclosed, \$328,282,000 represents the initial unfunded liability calculated as at December 31, 1966, while \$229,595,000 represents the residual unfunded liability accumulated since that time. In accordance with the Regulations under The Pension Benefits Act, the Province has been making annual payments of interest and principal into the Fund. These payments are designed to:

—Prevent an increase in the initial unfunded liability;



—Liquidate the residual unfunded liability over a period ending December 31, 1989.

Based upon the most recent actuarial report, the annual payment required is \$41,610,570 from 1973 to 1989 inclusive, and \$19,696,920 thereafter.

Following receipt of the actuarial report dated November 13, 1974, it was determined that the total of the unfunded liability payments made by the Province, to and including the 1973-74 fiscal year, was \$25,196,570 less than the total of the payments actuarially required. This difference, with interest, and the 1974 payment of \$41,610,570 were paid during the 1974-75 fiscal year, resulting in a total expenditure for unfunded liability purposes of \$68,478,000.

### *Experience Deficiency*

The actuarial valuation as at December 31, 1969 disclosed an experience deficiency of \$49,175,000 which was to be liquidated over the five year period 1970-1974 inclusive. As a result of a subsequent increase in the rate of return on the Fund's investments, and related actuarial correspondence, a misunderstanding arose which had led the Province to conclude that payments with regard to the experience deficiency would not be required. Consequently, no such payments were made prior to the 1974-75 fiscal year.

During the 1974-75 fiscal year, the Province became aware that experience deficiency payments were required despite the increase in the rate of return on the Fund's investments, whereupon the Province paid \$55,909,800 into the Fund. This payment represented the total of the five annual instalments due 1970 through 1974 plus delayed payment interest.

**135. Non-Required Payment into the Teachers' Superannuation Fund.** The calculation of the payment of \$55,909,800 referenced in the preceding section did not take into account the results of the actuarial valuation as at December 31, 1972. This valuation disclosed that no experience deficiency existed at December 31, 1972; in effect, therefore, the 1973 and 1974 experience deficiency instalments indicated by the earlier actuarial valuation were no longer required. These two instalments, including delayed payment interest, amounted to \$20,203,800.

Hence the Province's expenditure of \$55,909,800 included an advance payment to the Fund in the amount of \$20,203,800. We brought this matter to the attention of the Ministry of Education, and recommended that the advance payment be applied to the unfunded liability payment of \$41,610,570, due during the current fiscal year, in order to reduce the Province's 1975-76 expenditure for such purpose to \$21,406,770 (assuming no interest adjustment).

The Ministry wrote to us on October 6, 1975 and indicated acceptance of our recommendation.

## COMMENTS ON CROWN AGENCY TRANSACTIONS

**136. Introductory Comments.** The term Crown Agency for purposes of this segment of the Report includes Boards, Commissions, Crown Corporations and other operations which are audited by the Provincial Auditor on an annual basis. Also included are similar agencies audited by public accountants subject to direction or review by the Provincial Auditor. A listing of the Agencies involved for the year ended March 31, 1975 is included as Exhibit 9 to this Report.

**137. Inactive Crown Agencies.** Four of the five inactive Agencies commented upon in our 1973-74 Report (section 141) remained inactive at March 31, 1975. One of the Agencies, the Health Insurance Registration Board, was subsequently dissolved on July 8, 1975 by repeal of the relevant legislation. The situations with respect to the other three Agencies were as follows:

**ONTARIO DEPOSIT INSURANCE CORPORATION**—On August 6, 1975 the Minister of Consumer and Commercial Relations advised:

"I understand that the Federal Government is intending to introduce legislation in the Fall relating to the responsibilities of the Canadian Deposit Insurance Corporation. While it is hoped that no changes will be made which will have a detrimental effect on the interests of the Province or provincial institutions, we cannot be sure of this. Discussions between officials of my Ministry and the Federal Government are continuing regarding the provision of deposit insurance for Ontario credit unions.

In view of the above, I would prefer to defer any decision regarding the future of the O.D.I.C. until a later time".

**THE SHERIDAN PARK CORPORATION**—On July 25, 1975 the Executive Director, Administration, Ministry of Industry and Tourism advised:

"As I mentioned in my letter of last August our counsel in the Attorney General's Ministry had been asked to prepare the required legislation to repeal this Act.

Since writing you last August, the Province embarked on an Industrial Parks programme, and the suggestion was made that the Sheridan Park Corporation Act would be a suitable vehicle to meet the requirements.

However, on further examination it was determined that a suitable amendment could be made to the Development Corporation Act.

The Attorney General will now be asked to complete the necessary action to repeal The Sheridan Park Corporation Act, and to have it ready to present to the Legislature when it again sits."

**THE ONTARIO TELEPHONE DEVELOPMENT CORPORATION**—In a memorandum dated July 25, 1975, the Deputy Minister of Transportation and Communications stated:

“... the review of communications legislation is not yet completed because of the current impasse in federal-provincial discussions. Cabinet decisions on future Ontario telecommunications legislation are unlikely to be taken during the next few months.

It may be necessary to consider reactivating the Ontario Telephone Development Corporation in the interim. Therefore, we would appreciate your deferring any action to dissolve the Ontario Telephone Development Corporation Act.”

**138. Newly Established Crown Agencies.** The following Crown Agencies were established during the 1974-75 fiscal year. (The Ontario Energy Corporation, established effective February 28, 1975, has been omitted as the governing legislation stipulates that “the Corporation is not an agent of Her Majesty nor a Crown Agency...”).

**ALGONQUIN FORESTRY AUTHORITY**—established effective January 1, 1975 as a corporation without share capital to harvest Crown timber and produce, sell and deliver logs therefrom, and to carry out forestry, land management and other programs as the Minister of Natural Resources may authorize. The Authority has jurisdiction in Algonquin Provincial Park and, in respect of Crown timber, on such adjacent lands as may be designated by the Lieutenant Governor in Council.

**OFFICE OF THE ASSEMBLY**—established effective December 20, 1974 and consisting of the Speaker, the Deputy Speaker, the Clerk of the Legislative Assembly and other officers and staff necessary for the proper conduct of the Office's business. The officers of the Office have such duties as provided for in the Standing Orders of the Legislative Assembly or as prescribed by the Speaker.

**ONTARIO LAND CORPORATION**—established effective March 19, 1975 as a Corporation without share capital. The objects of the Corporation are to assist in the promotion of community and industrial development of land in Ontario by the acquisition of land and the disposal of it to persons in the private and government sectors for residential, community, industrial, governmental and commercial development.

**ONTARIO LOTTERY CORPORATION**—established effective February 6, 1975 as a Corporation without share capital whose objects include the development and management of lottery schemes on behalf of Her Majesty in right of Ontario.



TORONTO AREA TRANSIT OPERATING AUTHORITY—established effective June 28, 1974 as a Corporation without share capital. The objects of the Authority include the design, establishment, and operation of inter-regional transit systems providing passenger transportation across the boundaries of specified regional areas and within the specified jurisdictional area of the Authority.

**139. Audit of Newly Established Crown Agencies.** The legislation under which the ALGONQUIN FORESTRY AUTHORITY, the OFFICE OF THE ASSEMBLY and THE ONTARIO LOTTERY CORPORATION were established, stipulates that the accounts and financial transactions of each Agency are to be audited annually by the Provincial Auditor. Accordingly, an audit of each Agency was completed for the period ended March 31, 1975.

The audit provision contained in the legislation governing the ONTARIO LAND CORPORATION states that the accounts and financial transactions of the Corporation be audited annually by an auditor or firm of auditors appointed by the Corporation, and such auditor or firm of auditors so appointed are to be under the direction of, and report to, the Provincial Auditor. The Provincial Auditor, in turn, is to report on the audit to the Corporation and to the responsible Minister. Such a report has been made on the audit for the period ended March 31, 1975.

The legislation under which the TORONTO AREA TRANSIT OPERATING AUTHORITY was established provides for the appointment of one or more auditors licensed under The Public Accountancy Act to audit the books, records and accounts of the Authority. The Authority elected to appoint a firm of public accountants. In the event of such an appointment, however, the legislation further provides that the Provincial Auditor should have access to the appointed auditor's report and working papers. With respect to the period ended March 31, 1975, the Authority has advised as follows:

“For the period ended March 31, 1975, the Authority was in process of becoming established and did not maintain any financial records. Arrangements were made with the Ministry of Transportation and Communications to provide accounting services for the Authority during this initial period. Since our records are included with the Ministry, we do not propose to prepare audited financial statements for the period ended March 31, 1975. We have established our own accounting group and have assumed this responsibility effective April 1st, 1975 and propose to use this as the effective date for the commencement of operations by the Authority.”

Reference was made in section 130 of this Report to the legislative provision that the moneys required for the purposes of the Authority until March 31, 1975 be paid out of the Consolidated Revenue Fund, subject to



the approval of the Lieutenant Governor in Council. Expenditure from inception of the Authority through March 31, 1975 totalled \$8,872,141, and we noted that approval by Order in Council had not been obtained.

**140. Method of Audit Reporting.** A report is prepared on each Crown Agency audit performed during the year and is submitted to the Agency involved and to the responsible Minister. Observations and comments are made on matters noted during the audits, and include recommendations for improvement in internal controls and in the general efficiency of the accounting process. Matters raised which, in our judgment, are of interest or significance to the Legislative Assembly are included in subsequent sections of this Report. Not all of the subsequent comment is of a critical nature; many of our comments are for informative purposes only.

While we do not specifically request each Agency to respond to our audit findings and recommendations, a number of Agencies do furnish written replies to our reports. Relative views and opinions expressed in replies received from the Agencies have been included for informative purposes without further comment by this Office, but will be reviewed during subsequent audits of the respective Agencies.

**141. Suggested Corrective Action and Other Recommendations Contained in 1973-74 Provincial Auditor's Report.** Unless otherwise indicated in subsequent sections of this Report, we were satisfied during the course of our 1974-75 audits that appropriate steps had been taken by the Agencies concerned with regard to the findings previously disclosed.

**142. Alcoholism and Drug Addiction Research Foundation.** At March 31, 1975, the balance sheet of the Foundation reflected assets of \$1,109,206 and liabilities of \$1,523,848, resulting in a deficit of \$414,642. The Foundation's statement of operations for the year ended March 31, 1975 indicated income and expenses in the amounts of \$10,498,302 and \$11,204,512 respectively. The former figure included grants from the Province of Ontario in the amount of \$9,195,700.

The following comments were made in our report to the Foundation covering the 1973-74 fiscal year:

"An examination was made of all available Requisitions for Audio Visual Services for the year ended March 31, 1974, in order to determine the extent to which the Video Tape Recording (V.T.R.) studio resources of the Foundation were being utilized. This studio is maintained by a staff of four.

From available requisitions, only 771.5 man hours of time could be accounted for, or approximately six weeks per employee.

The Technical Director of the V.T.R. studio gave the following reasons for the substantial unaccounted-for time:

1. The studio was shut down from January to the early part of March 1974, during conversion to colour.
2. Requisitions for Audio Visual Services were originally intended to be completed by persons requesting services. However, requests were being phoned in or made by letter. When requisitions were then mailed out for completion, they were not always returned.
3. As a result, it was decided that media resources staff would complete the requisitions when jobs were being done. However, during times of heavy work load, the requisitions fell into disuse from time to time.

It is strongly recommended that, in order to justify the ongoing capital and operating costs of the V.T.R. studio, approved requisitions should be a prerequisite for all work performed. Additionally, unaccounted-for time in this area should be closely monitored by senior management of the Foundation."

A review of the records available for the 1974-75 year indicated little change in this situation. The Director of the section advised that "the system is not used for documentation of hours of work performed by each staff person. Some of the ongoing activity is not included on the information sheets, for example, meetings, and numerous interruptions for consultation, set-up time, etc."

During the course of our 1974-75 audit we further noted that the Medical Director of the Foundation office in Timmins, located in the North Eastern Regional Mental Health Centre, had undertaken additional responsibilities. The Director was receiving payments as a consultant in that facility, at \$70.00 for a 3-hour session, from the Ministry of Health. In addition, he was also appointed as that facility's Health Centre physician, at the same pay scale.

The records of the Ministry of Health reflected payment to this individual for 61 sessions in the period January 1, 1975 to July 18, 1975. During this time, with one exception, the individual's attendance reports from the Timmins office indicated that he was on duty with, and working for, the Addiction Research Foundation. We understood that this individual's direct supervisor, the Director of Northern Programs, was aware of, and endorsed the work being done for the Ministry of Health, but neither the Director of Regional Operations nor the Senior Medical Consultant in main office was aware of this arrangement.

We were informed that this individual frequently works 'extra' time for the Foundation. We suggested that any arrangement made to do Foundation work other than during regular office hours be made known to responsible

officials in main office, and that the attendance reports properly indicate the times spent by the staff on Foundation business.

**143. Legislative Assembly Retirement Allowances Account.** At March 31, 1975 the balance in the Account amounted to \$1,910,972. For the 1974-75 fiscal year receipts and disbursements totalled \$433,696 and \$277,249 respectively. A statement of the Account is contained in Volume 1 of the 1974-75 Public Accounts, page 45.

Our comments are substantially the same as those contained in our 1972-73 Report (section 129) and in our 1973-74 Report (section 151). The Legislative Assembly Retirement Allowances Account is not considered a pension plan as defined under The Pension Benefits Act. It is, therefore, not subject to the reporting requirements relative to financial soundness, or to the funding stipulations, outlined in the regulations under The Pension Benefits Act. However, the Account possesses the essential elements of a pension plan. Consequently, it is felt that the financial soundness of the Account should be reviewed periodically, and that steps should be taken to liquidate any unfunded liabilities so disclosed.

An actuarial valuation of the Account was made as at March 31, 1973. This valuation revealed an unfunded liability, or deficiency, of \$4,851,060. No steps have as yet been taken to stabilize or liquidate this deficiency.

**144. Motor Vehicle Accident Claims Fund.** At March 31, 1975 the balance in the Fund amounted to \$31,506,310. For the 1974-75 fiscal year receipts and disbursements totalled \$13,603,728 and \$12,107,170 respectively. A statement of the Fund is contained in Volume 1 of the 1974-75 Public Accounts, page 46.

The Fund was commented upon in our 1972-73 Report (section 84). The Standing Committee on Public Accounts reviewed those comments and the activities of the Fund in the spring of 1974, and stated in its February 1975 report to the Legislative Assembly that:

“The Committee acknowledges the problems involved in collecting payments from people without insurance involved in car accidents. It is the feeling of the Committee, however, that a more vigorous attempt be made in collecting monies owed to the Motor Vehicle Accident Claims Fund.”

The following observations relative to accounts receivable and other matters were made in the course of our audit of the Fund for the year ended March 31, 1975:

Two accounts receivable ledgers are maintained for the accounts of debtors to the Fund:



- (1) The "active" ledger reflected an outstanding balance of \$28,103,027 as of March 31, 1975. This ledger represents those accounts on which some payment has been received. However, many of these accounts are not current in that the debtor is delinquent or has discontinued making payments. No accounts had been written off during the current year, but review by the staff indicated a total of \$92,570 to be submitted for approval to write off in the near future.
- (2) The "inactive" ledger reflected an outstanding balance of \$38,732,-980 as of March 31, 1975. This ledger represents those accounts on which no payment has been received. Proposed write-offs total \$1,261,417 in this ledger.

We have been informed that detailed trial balances have not been taken of either of these ledgers for some time, apparently because of the time which would be required. The staff does not maintain a control figure for the inactive ledger, and, in June 1974, had ceased calculating the amount to be transferred from this ledger to the active ledger.

We recommended that the entire accounts receivable recording procedures be reviewed with the possibility of putting this phase of the operation on computer. In this regard, it should be pointed out that, commencing in April 1975, all repayments are being key-punched for subsequent computer processing.

The Motor Vehicle Accident Claims Act stipulates that the driver's licence of a person, on whose behalf a payment has been made from the fund, shall be suspended by the Registrar of Motor Vehicles until the debtor has commenced making installment payments, or if payments are in default. This stipulation is the main encouragement for drivers to repay the fund. A limited review of the records disclosed two instances in which notification had not been given to the Registrar to suspend the licence. We recommended that the procedures for such notification be reviewed.

Certain matters pertaining to current legislation have been commented upon in previous years' reports. If future amendments are made to The Motor Vehicle Accident Claims Act, the following matters should, we feel, be considered:

- (1) Section 2(2) of The Motor Vehicle Accident Claims Act stipulates that the uninsured motor vehicle fee shall be paid to the Fund. The practice to date has been for the Fund to receive the fee less the agents' handling charge for issuing the permits as stipulated under The Highway Traffic Act. However, as this practice is not in accordance with The Motor Vehicle Accident Claims Act, it is recommended that the latter Act be amended in order to be consistent with the practice that is in effect.



- (2) The Motor Vehicle Accident Claims Act indicates that a driver's licence shall be suspended if he is 10 days in default of payment to the Fund. In practice, through delays of posting of accounts and other follow-up procedures as much as 60 days can elapse before suspension is effected. As the statutory time period appears to be inadequate, it is recommended that the Act be amended to provide a more reasonable period for payment prior to suspension.

The Motor Vehicle Accident Claims Fund is administered within the Ministry of Consumer and Commercial Relations. The Ministry responded to the foregoing observations on October 16, 1975:

#### *Accounts Receivable*

"As you know considerable amounts have been written off and in February 1974 an amount of nearly \$5 million was written off and in 1975 a further amount of \$1,275.00 has been written off.

The Provincial Auditor has reported that detailed Trial Balances have not been taken for some time on both active and inactive ledgers. The Auditor's recommendation is that the entire Accounts Receivables be reviewed with the possibility of putting this phase of the operation on computer. This is our thinking as the only logical way to update the bookkeeping system. As you know we have been co-operating with the Director of the Fund and trying to have Government Services explore computerizing the complete operation. It is a matter that we were aware of and, hopefully, will obtain funds to proceed on."

#### *Notification of Suspensions*

"The two instances mentioned in the Auditor's Report where defendants were not suspended because of default of their monthly payments were caused by human error. If the bookkeeping system can be computerized the program could be set up to issue the suspense notices on a computer printout, thus taking the human element out of the present system."

#### *Legislative Requirements*

"Both matters referred to by the Provincial Auditor have been known and are being worked on. The draft Policy Proposal for amending the Act is being processed with respect to the commission to be paid to agents. This will be forthcoming this year.

With respect to provision in Section 10(3) of the Act that a driver's licence shall be suspended if he is 10 days in default of payment to the Fund, this period of time is not realistic under the present system. It is, accordingly, proposed to amend the legislation in order to increase the time limit to 30 days."

**145. Northern Ontario Development Corporation.** At March 31, 1975 the balance sheet of the Corporation reflected assets of \$19,516,875 and liabilities of \$20,651,139, resulting in a deficit position of \$1,134,264. For the 1974-75 fiscal year income and expense, as shown by the Corporation's related financial statement, totalled \$547,280 and \$1,228,578 respectively. The financial statements of the Corporation are reproduced in Volume 2 of the 1974-75 Public Accounts.

In last year's Report (section 152) we noted that Order in Council 105/74 was passed on January 9, 1974 and authorized the Province of Ontario, through the Northern Ontario Development Corporation, to "acquire ownership of Minaki Lodge Resort Ltd., and discharge all of its liabilities, improve and operate Minaki Lodge Resort Ltd. and do all such other things as may be deemed expedient and necessarily incidental thereto". We also noted that the Order in Council authorized the Province of Ontario to provide Northern Ontario Development Corporation with a sum not exceeding \$5,000,000 for the stated purposes, and that relevant disbursements by the Corporation at March 31, 1974 totalled \$1,701,110. During the 1974-75 fiscal year a further \$1,195,127 was disbursed, thereby increasing the Corporation's investment in Minaki Lodge Resort Ltd., and its affiliate, Minaki Development Company Limited, to \$2,896,237 at March 31, 1975.

As indicated in note 2 to the Corporation's financial statements, the combined reported losses of Minaki Lodge Resort Ltd. and its affiliate, Minaki Development Company Limited, amounted to \$610,194 for the year ended September 30, 1974. These losses increased the combined reported deficits of the two companies to \$1,322,058 at September 30, 1974. The decrease in Northern Ontario Development Corporation's equity in the two companies, as a result of losses reported by these companies subsequent to acquisition by the Corporation, has not been reflected in the Corporation's accounts.

Minaki Lodge Resort Ltd. is audited by public accountants. The auditors have reported on the statements for the year ended September 30, 1974 as follows:

"We have been unable to satisfy ourselves as to revenue recorded due to poor internal control procedures and accounting records for the period from January 1, 1974 to September 30, 1974. A similar comment was expressed by the company's previous auditors for the three month period ending December 31, 1973. Comparative figures for the previous year have been taken from financial statements on which the company's previous auditors were unable to express an opinion.

We are therefore unable to express an opinion on the statements of income, contributed surplus, deficit and source and application of working capital.

In our opinion, however, the balance sheet presents fairly the financial position of the company as at September 30, 1974 in accordance with generally accepted accounting principles. . . ”

The financial statements for Minaki Development Company Limited as at September 30, 1974 were unaudited and contained the following accountants' comment:

“In accordance with the terms of our engagement, we did not perform an audit and accordingly are not in a position to express an opinion on these financial statements.”

**146. Office of the Assembly.** Sections 71 to 98 of The Legislative Assembly Act, as amended, came into force on December 20, 1974. These sections provide for the Office of the Assembly, its staffing and operation, and for the establishment of a Board of Internal Economy to supervise the management of the financial affairs of the Assembly.

During the period from inception on December 20, 1974 to March 31, 1975, the expenditure of the Office of the Assembly totalled \$2,560,043 and was processed for payment by the Finance Branch of the Ministry of Government Services. The payments were charged to the appropriations of the Office of the Speaker as shown in the 1974-75 Expenditure Estimates and Supplementary Estimates.

The Ministry of Government Services also continued to record certain revenue, including that arising from fees from private bills and the sale of sessional service and debates. Such revenue amounted to \$48,670. Revenue received by the Office of the Assembly from the operation of the Members' Lounge and the Press Gallery Lounge totalled \$10,009 and was deposited in a separate bank account and transferred to the Treasurer of Ontario at the close of the fiscal year. Such revenue was treated as miscellaneous revenue of the Ministry of Treasury, Economics and Intergovernmental Affairs.

Section 69 of the amended Act provides for the appropriation of funds by the Legislature for use by the caucuses of the Government and opposition parties. Subsection (c) stipulates that there shall be provided . . .

“for the use of the caucus of the Government, the caucus of the Official Opposition and the caucus of a party that has a recognized membership of twelve or more persons in the Assembly, for such use as the caucus may determine, such sum of money as is appropriated therefor by the Legislature for each caucus based on the number of members in the caucus.”

In view of the wording of this subsection, Government guidelines and procedures governing the expenditure of funds would not appear to be applicable. Hence, in our opinion, consideration should be given by the Board of Internal



Economy to providing for these funds as Transfer Payments in the Estimates to be voted upon by the Legislative Assembly.

**147. Ontario Housing Corporation.** The assets of the Corporation totalled \$1,387,258,528 at December 31, 1974. Liabilities totalled a like amount. For the 1974 calendar year revenue amounted to \$8,789,586 while the loss on public housing operations and other expenses totalled \$39,166,737 and \$12,873,319 respectively. The financial statements of the Corporation are reproduced in Volume 2 of the 1974-75 Public Accounts.

Observations and recommendations resulting from our audit of the Corporation for the year ended December 31, 1974 included the following:

Our examination revealed numerous cases of inadequate accounting. Accordingly, we recommended that positive steps be taken to upgrade the reliability of the accounting records and, in this regard, it was suggested that the Audit Operations Branch of the Ministry of Housing be requested to increase its involvement in routine, recurring financially-oriented audits of the basic records and general ledger. It is our opinion that if such audits were increased, and appropriate action were taken on resultant reports, the reliability of the financial records of the Corporation would be enhanced.

The general ledger system of the Corporation together with the related accounting procedures has recently been the subject of review by management consultants from outside the Corporation. We have been advised that the Corporation expects significant benefits and improvements will result from the implementation of a new system.

### *Recording of Transactions*

Amounts of \$33,342,000 and \$55,350,000 were received from the Treasurer of Ontario by Ontario Mortgage Corporation (see also section 148) and Ontario Housing Corporation respectively, and were deposited in two separate specially opened accounts at the Province of Ontario Savings Office. These moneys were not recorded in the books of the Corporations at the time of receipt but only as they were drawn from the savings accounts and deposited in the main bank accounts of the Corporations. As such withdrawals occurred over a period of a few months, the books of the two Corporations did not, during this period, satisfactorily record the proper assets and liabilities.

During the course of our audit we noted that, at a meeting held on November 7, 1973, the Board of Directors of the Corporation agreed to accept the release of interest of a firm of developers in a land site in Etobicoke in return for a release of any claim which the Corporation or Ontario Mortgage Corporation had against the developers. Although title to the property had reverted to the Corporation, the asset and the liability to Ontario Mortgage



Corporation were not recorded in the books of the Corporation until December 31, 1974, at which time they were recorded in the amount of \$1,933,419.

### *Home Operations Ledger—Leasehold Receivables*

As part of our examination, a number of active leasehold receivable accounts were confirmed directly with the lessees. As a result of such confirmations, it would appear that the majority of differences advised by the lessees were due to the following factors:

- incorrect input to the new E.D.P. lease system relating to data maintained inaccurately under the previous system;
- changes in lease numbers on resales and the resulting delays in processing the required legal and accounting documentation to update the E.D.P. system;
- incorrect postings of cheques to the leasehold accounts;
- cheques mailed by lessees but apparently never received or inadvertently misplaced;
- incorrect account numbers being recorded by lessees on cheques sent, especially on resales where the new lessee may still have been using an old lease number.

It was recommended that a complete review be made of the present E.D.P. system and records to enable management to take appropriate corrective action.

### *Controls over Incoming Cheques at Head Office*

A scrutiny of controls over cash receipts revealed the following procedural deficiencies:

- cheques were not restrictively endorsed at the time of receipt;
- undelivered Corporation payroll cheques were not recorded in a central location, and were passed from the Central Mailroom directly to the Payroll Branch;
- at times, receipts were retained on hand for periods in excess of a month before being deposited;
- at times, returned cheques were on hand, awaiting cancellation, several weeks after the date of receipt by the Corporation.

We recommended that the system be reviewed and improved in order that weaknesses such as described above are eliminated. In particular, we recommended that all Corporation cheques (including payroll cheques) which are returned either by the payee, the postal authorities or otherwise, be directed from the Central Mailroom to the attention of a responsible official outside the area originating the cheque.

### *Duplicate Payments—Rental Housing Division*

During the last four months of 1974 fourteen suppliers returned cheques to the Corporation in a total amount of approximately \$22,000. These returns arose from duplicate payments made by the Corporation. We recommended that the operating units be instructed to approve only original invoices for payment. In addition, it was suggested that procedures controlling the issue of automatic payment cheques be reviewed.

The Corporation responded on October 8, 1975 and commented on the foregoing audit findings as follows:

"The current financial information system of the Corporation is seriously outmoded and requires an excessive level of clerical analysis and corrective action to maintain. Volume and complexity of housing activity has increased steadily over the past several years and of this date, it is no longer possible to further amend or expand the existing data processing system. A request has recently been submitted to Management Board of Cabinet for permission to expend the necessary funds to design, develop and implement a new financial/operating system.

In spite of the difficulties encountered with the current system, it is agreed that immediate steps should be taken to upgrade the reliability of accounting records. The adequacy of controls is currently under review by the Audit Operations Branch. Routine checks of the accounting records will be made to ensure that overall reliability is upgraded."

### *Recording of Transactions*

"It is acknowledged that the two specific advances referred to from the Treasurer of Ontario to the Ontario Mortgage Corporation and Ontario Housing Corporation respectively, should have been recorded on the general ledgers of the two Corporations immediately upon receipt. Safeguards have now been initiated to ensure that similar advances are recorded promptly in the future.

With respect to the Corporation's acceptance of the release of interest of a firm of developers in a land site in Etobicoke, it is agreed the book value of the property in question should have been transferred from Ontario Mortgage Corporation to Ontario Housing Corporation promptly. This was a complicated transaction and through clerical failures, the release of interest was not recorded accurately on the books of the two Corporations on an appropriate date."

### *H.O.M.E. Operations Ledger—Leasehold Receivables*

"We share your concern over the number of clerical errors reflected in the individual accounts in the Corporation's computerized lease system. Staff-

ing constraints have caused severe problems in this area in the past, and with ever increasing volumes, clerical inaccuracies have occurred. A complete review of procedures in both the financial and administrative areas of lease processing is now in progress. It is anticipated that substantial improvement in record keeping will result."

#### *Controls over Incoming Cheques at Head Office*

"Arrangements have now been made to restrictively endorse all cheques received in the Corporation's mail room, with the exception of high volume mail in colour coded envelopes. Colour coded mail is delivered directly to the mortgage corporation cash office and then restrictively endorsed as part of the deposit procedure.

Arrangements have also been made to transmit all returned undelivered Corporation cheques, including payroll cheques, directly to the Administrative Accounting Banking section. Appropriate safeguards will be installed to ensure that undelivered cheques are properly investigated and disposed of.

It is agreed that cash receipts and returned cheques awaiting cancellation should be processed in as short a period of time as possible. Procedures have been steadily improved throughout 1975."

#### *Duplicate Payments—Rental Housing Division*

"The duplicate payments referred to are of considerable concern to the Corporation. In this connection, a detailed review of the entire accounts payable area is nearing completion, including the possibility of installing procedures that would require all vendors to submit original invoices only for payment.

Automatic payment procedures have now been reviewed and improved."

**148. Ontario Mortgage Corporation.** The Corporation was incorporated as a private company in April, 1948 under the name of Housing Corporation Limited. The name of the Company was changed to Ontario Mortgage Corporation effective August 19, 1974.

At December 31, 1974, the assets of the Corporation totalled \$316,252,892 with corresponding liabilities of \$315,932,516 and shareholders' equity of \$320,376. For the 1974 calendar year revenue and expenses amounted to \$21,511,897 and \$22,652,235 respectively. The financial statements of the Corporation are reproduced in Volume 2 of the 1974-75 Public Accounts.

During the course of our audit the following matters were noted in connection with an advance of \$33,342,000 requisitioned from the Treasurer of Ontario on March 29, 1974:

- (1) The above noted advance was received and deposited in a special account at the Province of Ontario Savings Office on April 22, 1974, but was not recorded in the books of the Corporation at the time. During the period from date of deposit to September 25, 1974, the advance was withdrawn in various amounts and, subject to comment which follows, transferred to the Corporation's two main bank accounts. The full sum requisitioned was recorded in the Corporation's books of account on September 30, 1974.
- (2) An amount of \$600,000 was withdrawn on May 23, 1974, and inadvertently deposited into the Ontario Housing Corporation account with the Bank of Montreal. This transaction indicates weaknesses in the system of internal control relating to the banking and proper utilization of funds requisitioned for a specific purpose. It was noted that the error was rectified in December 1974.

We recommended that, in future, funds be properly recorded at the time of receipt and utilized for the purpose for which they were intended.

On September 16, 1975 the Corporation wrote to us and advised that:

"The advance from the Treasurer of Ontario, deposited to the Province of Ontario Savings Office account on April 22, 1974, should have been recorded in the general ledger of the Corporation on that date. Safeguards have been initiated to ensure that all such advances will be recorded promptly in the future.

We agree that the inadvertent deposit of Ontario Mortgage Corporation capital funds to an Ontario Housing Corporation bank account indicates a procedural weakness. Responsibility for the control and recording of Treasury advances to the two Corporations has now been separated, and clerical errors of this nature should not occur in the future."

**149. Ontario Northland Transportation Commission.** As at December 31, 1974 the assets of the Commission totalled \$136,444,199, offset by liabilities and reserves of \$105,934,112 and retained income of \$30,510,087. For the 1974 calendar year revenue and expenses amounted to \$39,877,638 and \$39,427,299 respectively. Revenue included \$2,908,018 in subsidies from the Province of Ontario. The financial statements of the Commission are reproduced in Volume 2 of the 1974-75 Public Accounts.

During the spring of 1974 the Standing Committee on Public Accounts conducted an extensive review of the operations of the Ontario Northland Transportation Commission. In its final report dated February 1975 to the Legislative Assembly, the Committee recommended that the Provincial Audi-



tor report back to the Committee in the new session on the progress that had been made in achieving better administration in this government agency. Pursuant to this recommendation, a copy of the Provincial Auditor's report on the audit of the Ontario Northland Transportation Commission for the year ended December 31, 1974 was made available to the Committee on June 10, 1975. At that time we advised the Committee that, in our opinion, based upon both current and previous audits, the Ontario Northland Transportation Commission was being effectively administered.

**150. Ontario Place Corporation.** At March 31, 1975 the assets of the Corporation totalled \$4,756,524 while liabilities and contributed surplus totalled \$52,474 and \$4,704,050 respectively. The contributed surplus arose in 1974-75 as a result of a grant from the Province of Ontario for the purpose of retiring the Corporation's outstanding indebtedness to the Province of Ontario (see also section 131).

During 1974-75 the Corporation's income and expenditure amounted to \$5,357,600 and \$5,356,982 respectively. The former figure included operating grants of \$2,127,000 from the Province of Ontario.

Advertising costs from two firms in the amount of approximately \$455,000 were incurred by Ontario Place in the year ended March 31, 1975. It was noted that no quotations were called and no formal contracts were drawn up in respect of these costs. We concurred with the recommendation made by the Operational Review Branch of the Management Board of Cabinet that, in future, all provisions pertaining to the contracting of creative communications services contained in the Manual of Administration be adhered to.

On November 5, 1975, the Corporation advised that:

"The agreement with our present advertising agency will terminate December 31, 1975 (effectively it has already terminated since our advertising needs ended October 13, 1975 with the closing of our operation for the season). We are currently receiving proposals from a number of Ontario based Canadian agencies and will, subject to Management Board approval, enter into a formal agreement with the one which best meets the criteria established by the Corporation for its advertising needs. The duration of the agreement will not exceed a two year period commencing January 1, 1976."

**151. Province of Ontario Council for the Arts.** At March 31, 1975 the balance sheet of the Council reflected assets of \$1,006,206, liabilities of \$62,961 and reserves of \$943,245. For the 1974-75 fiscal year, income and expenditure amounted to \$7,274,773 and \$6,918,306 respectively. The

former figure included amounts received from the Province of Ontario totalling \$7,194,784, while the latter figure included payments of \$6,229,258 by the Council with respect to grants and programs.

In our 1973-74 Report (section 159) we commented upon internal control weaknesses relating to the processing of travel and entertainment expense claims. The situation was unchanged during the current year. However, policy guidelines were introduced by the Council effective April 1, 1975 to establish tighter controls in this area.

A scrutiny of staff members' travel and entertainment expense claims for the period from April 1975 to August 1975 disclosed improvement in controlling these expenses. However, it was noted that amounts expended on lunches with grant applicants were still being claimed and paid for. In the Council's policy guidelines it was stated that, "as a granting body, the relationship between Council and its clients requires that Council staff pay for business lunches and admission to client presentations. It would be improper for grant recipients to be allowed to assume such expenses".

This policy guideline conflicts with the recommendation made by the Standing Committee on Public Accounts in its interim report dated July 10, 1975, namely, that "the practice of entertaining people who are approaching the Council for grants at the Council's expense should be discontinued".

**152. Public Service Superannuation Fund.** At March 31, 1975 the balance in the Fund amounted to \$794,041.634. For the 1974-75 fiscal year receipts and disbursements totalled \$151,290,983 and \$42,281,435 respectively. A statement of the Fund is shown in Volume 1 of the 1974-75 Public Accounts, page 44.

As was noted in our 1973-74 Report, (section 161), the most recent actuarial review of the Public Service Superannuation Fund was made as at December 31, 1970. As at that date this review disclosed an unfunded liability of \$117,241,000. Of this amount, \$82,616,000 represented the initial unfunded liability as at January 1, 1965; the balance of \$34,625,000 represented the outstanding amount, as at December 31, 1970, of the experience deficiency which had arisen subsequent to January 1, 1965. The Province of Ontario has been making annual payments of interest and principal into the Fund in accordance with the Regulations under The Pension Benefits Act. These payments are designed to prevent an increase in the initial unfunded liability and to liquidate the experience deficiency.

We were advised that an actuarial report on the Fund as at December 31, 1973 was in the course of preparation and likely to be completed by December 1975.

**153. Star Transfer Limited.** As at December 31, 1974 the assets of the Company totalled \$5,181,403, with offsetting liabilities and reserves of \$2,110,630 and capital and retained income of \$3,070,773. For the 1974 calendar year revenue and expenses amounted to \$7,600,897 and \$7,229,357 respectively. Revenue included \$1,550,360 in subsidies and compensation from the Province of Ontario.

During the spring of 1974 the Standing Committee on Public Accounts conducted an extensive review of the operations of Star Transfer Limited, a wholly owned subsidiary of the Ontario Northland Transportation Commission. In its final report dated February 1975 to the Legislative Assembly, the Committee recommended that the Provincial Auditor report back to the Committee in the new session on the progress that had been made in achieving better administration in this government agency. Pursuant to this recommendation, a copy of the Provincial Auditor's report on the audit of Star Transfer Limited for the year ended December 31, 1974 was made available to the Committee on June 10, 1975. At that time we advised the Committee that, in our opinion, based upon both current and previous audits, Star Transfer Limited was being effectively administered.

**154. Workmen's Compensation Board.** At December 31, 1974 the assets of the Board totalled \$745,677,000. Liabilities, including reserves, totalled a corresponding amount. For the 1974 calendar year, income and expense amounted to \$272,397,000 and \$255,571,000 respectively.

As noted in our 1973-74 Report (section 143), the audit provision of The Workmen's Compensation Act was amended effective March 15, 1974, and provided that "The accounts of the Board shall be audited by the Provincial Auditor or under his direction by an auditor appointed by the Lieutenant Governor in Council. . . .". Previously the legislation stipulated that "The accounts of the Board shall be audited by the Provincial Auditor or by an auditor appointed by the Lieutenant Governor in Council. . . .". In the past the audit had been conducted by an auditor appointed by the Lieutenant Governor in Council, and the Provincial Auditor had not been involved in any way. The appointment of the outside auditor has been continued but, as a result of the change in legislation, the audit is now subject to the direction of the Provincial Auditor.

During the course of the audit, reference was made from time to time to The Workmen's Compensation Act, as amended, to ascertain the Board's powers in various matters of internal administration. In general terms, it was found that the Act did not specifically provide guidance in the areas of our concern. It is therefore likely that other items of administrative practice may also not be included in the Act. We recommended that a review of the



Act be undertaken to determine if amendments are necessary to clarify matters of administrative practice. Specific items unresolved at the present time include the following:

(a) *Advances to Workmen's Compensation Board Credit Union Limited*

During 1974 the Board advanced approximately \$260,000 to the Workmen's Compensation Board Credit Union Limited, such funds to be used by the credit union to assist Board employees in the purchase of private automobiles. Repayment terms of up to thirty-six months were made available to the employees.

It should be determined if the Board is permitted, within the existing Act, to advance the funds, directly or indirectly to its employees, for the purpose indicated.

(b) *Schedule 2 Employers*

(1) Sections 29 and 33 of the Act contain requirements for Schedule 2 employers to pay commuted sums and deposits to the Board for specified purposes. It should be determined if the Board has the power to invest funds thereby derived and what restrictions should apply to such investments.

(2) During 1974 the Board exchanged certain investments identified as held for Schedule 2 employers. As a result of the transactions a loss of \$550,863 was incurred. The Board transferred \$233,420 of this loss to the Schedule 2 Contingency Reserve (thereby reducing such reserve to nil) and has deferred the remaining portion of the loss (\$317,443) to be amortized against the Schedule 2 investment income in future years. It should be determined if the Board can take such action under the existing legislation.

(c) *Appointment and Remuneration of Employees and Others*

The provisions contained in sections 70 and 71 of the Act give the Board certain powers and responsibilities in respect of the administration of the Board. However, it appears that the provisions of section 71(1) imply certain restrictions in the area of personnel policies. We have been unable to determine the interface between these two sections applicable to the consultants, actuaries, accountants, experts, officers and employees of the Board. In our opinion, clarification is required as to the specific approvals by Order in Council as suggested in section 71(1).



The Board responded on November 7, 1975 and, with respect to the foregoing, advised us as follows:

(a) *Advances to Workmen's Compensation Board Credit Union Limited.*

"One of the recommendations of the Task Force was that Board cars should only be provided for a very limited number of employees who had to use a car in the course of their employment. This change meant that a number of employees, field auditors, area office personnel, adjusters, etc., would be required to obtain vehicles and that at the same time, the Board would have to substantially reduce its fleet ownership. To help satisfy both of these requirements, the persons affected were given the opportunity to purchase the Board vehicle they were using and the Board would now have to sell. The best administrative device to accomplish this sale to the employees was the Credit Union and consequently, the funds needed to make such purchases were advanced to the employees through the Credit Union.

These advances were clearly not investments of the Board any more than the original purchase of the fleet vehicles by the Board was an investment and therefore were not subject to the restriction applying to the investment of the reserve funds. The question of investment of funds other than reserve funds, such as Schedule 2 employer deposits, is dealt with in the next section, but for the purposes of this question, the problem need not be addressed.

The major part of the Board's activities are only capable of being performed through employees: to enable these employees to perform their functions effectively, the Board has to enter into such financial transactions with them as would any other employer. Advances for travel, expenses related to moving and expenses for certain required educational purposes clearly fall in this category.

Advances to employees to acquire equipment required to carry out their responsibilities appear to fall in the same category and be a necessary ancillary power of the Board as employer."

(b) *Schedule 2 Employers*

"1. The Board has had at all times in the past, certain sums representing in the main, the balance of commuted sums for pensions of employees of Schedule 2 employers being administered by the Board.

It would certainly appear that the Board is required by the common law to behave in the manner of a prudent businessman with respect

to the funds: consequently, simply leaving these funds on deposit with a bank would not satisfy this requirement: while it is not clear that the Trustee Act applies as a principle of the general law, if the Board is trustee of these funds, it would certainly appear that it could invest in securities that meet the standards set by the Trustee Act. From this, it can be concluded that the Board must use its best judgement in handling the funds to the best advantage and this means prudent investment.

Furthermore, the sections refer to the payment of 'commuted sums' and in accordance with this, the Board has required the Schedule 2 employers to pay the present value of a *series of pension payments discounted at an appropriate interest rate*. To be able to commute at this lesser sum it is necessary that the funds so received earn interest if they are to meet pension payments. Section 32 similarly provides for prepayment of pensions by Schedule 2 employers and specifically refers to such sums generating interest which implies the investment of such sums by the Board.

2. The yield on the investments of the Schedule 2 deposit funds was improved by taking the opportunity to put the funds in appropriate securities of higher yield and the majority having a slightly earlier maturity with the result that the cash flow was improved. The Board is however, required by the Superintendent of Insurance to recognize all losses on sales of securities as they occur even where, as in this case, the replacing security is purchased at a similar discount to that sold. The loss was recognized as required, partly offset by the 'contingency reserve' which apparently arose from a gain on an investment transaction many years ago and will recover the balance from the amortization of the discount on the acquired bond. The result of this treatment will give a yield to the Schedule 2 fund until maturity on January 29, 1982 of 5.45% instead of 4.43% on the previous investment.

As previously mentioned in sections (a) and (b) 1., it is incumbent on the Board to invest these funds in a prudent manner. Reinvestment to the advantage of the beneficiaries follows from this whether or not the Board is a trustee of these funds. It therefore appears that not only is it within the powers of the Board so to act, it could be criticized if it did not invest these funds prudently to the best advantage."

(c) *Appointment and Remuneration of Employees and Others*

"Sections 70 and 71 of the Act have been amended from time to time and we have been unable to resolve the questions posed. The

Chairman, Vice-Chairmen, Commissioners of Appeals and all Commissioners are appointed in Orders-in-Council. Some years ago (1969), it was considered that as the Chairman's appointment was by Order-in-Council and because no Order-in-Council was made to cover senior civil service salary changes approved by the Treasury Board, a special Order-in-Council relating to all Board salary scales and appointments was unnecessary. At that time, the salary for the most senior administrative position, that of Executive Manager, was included in the Order-in-Council covering the Commissioners, thus giving formal approval for the highest staff salary range and thus implying approval of lower ranges. The most senior administrative position, Executive Manager, was merged into the new position of Vice-Chairman of Administration in 1974 and the salary for this position continues to be set by Order-in-Council. Salary levels for all classifications have always been kept at levels similar to those being paid elsewhere in the Provincial Government by consultative liaison with the Civil Service Commission."

### ACKNOWLEDGEMENTS

It is a pleasure for me to again acknowledge the co-operation and effective help that was extended to my Office by the officials and staff of the various Ministries and Crown Agencies during the conduct of the audit.

I also express my sincere appreciation to my own staff for loyalty and devotion to their work during the past year.

A handwritten signature in dark ink, appearing to read 'F. N. Scott', with a large, sweeping flourish at the end.

F. N. SCOTT, C.A.,  
Provincial Auditor.

Toronto, November 28, 1975.



## EXHIBITS

1. Statement of Consolidated Revenue Fund, Year Ended March 31, 1975.
2. Statement of Assets and Liabilities as at March 31, 1975.
3. Statement of Revenue, Year Ended March 31, 1975.
4. Statement of Expenditure, Year Ended March 31, 1975.
5. Management Board Orders—Amounts Authorized and Expended Thereunder During the Year Ended March 31, 1975.
5. Statutory Appropriations—Amounts Expended Thereunder During the Year Ended March 31, 1975.
7. Organization Chart—Office of Provincial Auditor.
3. Revenue and Expenditure Audits, Year Ended March 31, 1975.
9. Crown Agency Audits, Year Ended March 31, 1975.
0. Recommendations of the Standing Committee on Public Accounts in its Interim Report to the Legislative Assembly Dated July 10, 1975.



## EXHIBIT 1

## STATEMENT OF CONSOLIDATED REVENUE FUND

Year ended March 31, 1975

	1975		1974	
	\$	\$	\$	\$
OPENING BALANCE				
Cash, temporary investments and marketable securities .....		982,286,687		980,649,764
BUDGETARY TRANSACTIONS				
Revenue .....	8,275,048,981		6,922,396,286	
Expenditure .....	8,821,609,717		7,301,861,699	
Budgetary Deficit .....	<u>(546,560,736)</u>		<u>(379,465,413)</u>	
NON-BUDGETARY TRANSACTIONS				
Loans, Advances and Investments				
Disbursements .....	1,422,966,835		856,649,811	
Receipts .....	<u>400,741,127</u>		<u>181,572,605</u>	
Net Increase in Loans, Advances and Investments	<u>1,022,225,708</u>		<u>675,077,206</u>	
Trust Administration Functions				
Credits .....	323,682,550		178,378,416	
Charges .....	<u>59,979,602</u>		<u>55,399,557</u>	
Net Increase in Trust Admin- istration Functions .....	<u>263,702,948</u>		<u>122,978,859</u>	
Non-Budgetary Transactions (net) .....	<u>(758,522,760)</u>		<u>(552,098,347)</u>	
NET CASH REQUIREMENTS .....		(1,305,083,496)		(931,563,760)
DEBT TRANSACTIONS				
Proceeds of loans .....	1,538,822,283		1,196,637,511	
Repayments of loans .....	<u>359,724,437</u>	1,179,097,846	<u>263,436,828</u>	933,200,683
CLOSING BALANCE				
Cash, temporary investments and marketable securities .....		<u>856,301,037</u>		<u>982,286,687</u>

See accompanying Basis of Reporting (page 8) and Schedules to Statement of Consolidated Revenue Fund on pages 14 to 29.

Referenced page numbers are to Volume 1 of the 1974-75 Public Accounts.

**PROVINCE OF**  
**STATEMENT OF ASSETS AND**  
 (with comparative

Assets	1975	1974
	\$	\$
Cash, temporary investments and marketable securities .....	856,301,037	982,286,687
Advances to Ontario Hydro .....	1,788,495,970	1,478,211,011
Advances and investments—other corporations, boards and commissions .....	3,778,440,816	3,246,677,963
Investments in water treatment and waste control facilities (at cost less recoveries) .....	528,262,811	408,067,331
Loans to municipalities .....	213,274,581	181,307,301
Other loans and investments .....	219,574,558	191,559,422
Total realizable assets .....	7,384,349,773	6,488,109,715
Net debt .....	3,448,069,583	2,901,508,846
	<u>10,832,419,356</u>	<u>9,389,618,561</u>

See accompanying Basis of Reporting on page 8 and Schedules to Statement of Assets and Liabilities on pages 30 to 37.

Approved on behalf of the Ministry of Treasury, Economics and Intergovernmental Affairs:

A. RENDALL DICK, Deputy Treasurer of Ontario and Deputy Minister of Economics and Intergovernmental Affairs.

G. McINTYRE, F.C.A., Executive Director, Treasury Division.

Referenced page numbers are to Volume 1 of the 1974-75 Public Accounts.



## EXHIBIT 2

## ONTARIO

## LIABILITIES AS AT MARCH 31, 1975

figures for 1974)

Liabilities	1975	1974
	\$	\$
Demand deposits with the Province of Ontario Savings Office .....	233,727,157	187,332,809
Pension funds .....	795,952,606	686,786,611
Deposit, trust and reserve accounts .....	187,658,780	79,516,175
Advances payable .....	61,134,861	45,601,073
Treasury bills .....		90,000,000
Notes payable .....	18,971,262	23,345,600
Debentures .....	9,534,974,690	8,277,036,293
	<u>10,832,419,356</u>	<u>9,389,618,561</u>
Contingent liabilities: bonds, etc., guaranteed by the Province .....	3,843,449,294	3,330,184,334

I have examined the above Statement of Assets and Liabilities of the Province of Ontario as at March 31, 1975, the Statement of Consolidated Revenue Fund, the Statement of Revenue, the Statement of Expenditure, and the related financial statements appearing in Volume 1 of the Public Accounts for the year ended on that date. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion these financial statements present fairly the financial position of the Province as at March 31, 1975 and the results of its operations for the year then ended, and were prepared in accordance with generally accepted accounting principles which, except for the changes in accounting treatment outlined under the heading of "Basis of Reporting" on Pages 8-9 of Volume 1 of the Public Accounts, were applied on a basis consistent with that of the preceding year. The generally accepted accounting principles are those relative to government accounting and are fully described under the previously referenced "Basis of Reporting".

In accordance with section 20 of The Audit Act, a report will be made to the Legislative Assembly.

F. N. SCOTT, C.A.

Provincial Auditor.

Toronto, October 31, 1975.

## EXHIBIT 3

## STATEMENT OF REVENUE

Year ended March 31, 1975

	1975 \$	1974 \$
RECOVERY OF PRIOR YEARS' EXPENDITURES .....	10,830,820	13,419,984
TAXATION		
Retail Sales Tax .....	1,568,828,591	1,314,814,391
Personal Income Tax .....	1,445,552,199	1,235,816,113
Corporation Taxes .....	891,907,759	637,603,197
Gasoline Tax .....	493,090,700	476,786,369
Mining Profits Tax .....	152,802,601	46,962,605
Tobacco Tax .....	101,449,981	100,346,865
Other .....	299,684,145	254,698,739
	4,953,315,976	4,067,028,279
ROYALTIES .....	35,617,378	28,539,186
FEES, LICENCES AND PERMITS .....	279,085,252	261,803,170
FINES AND PENALTIES .....	42,209,566	37,371,252
PROFITS FROM TRADING ACTIVITIES—LIQUOR CONTROL BOARD OF ONTARIO .....	301,650,000	280,500,000
PUBLIC DOMAIN .....	2,502,945	2,053,514
SALES—LAND AND BUILDINGS .....	58,320,831	6,122,284
SALES—OTHER .....	6,765,768	10,016,376
FACILITIES .....	18,294,677	15,775,457
PREMIUMS—ONTARIO HEALTH INSURANCE PLAN .....	548,095,482	530,053,695
UTILITY SERVICE CHARGES .....	25,921,044	20,265,645
MISCELLANEOUS .....	1,140,841	2,492,266
GOVERNMENT OF CANADA		
Reimbursements of Expenditures		
Hospital Insurance and Diagnostic Services Act— hospital operations .....	651,856,747	533,249,217
Canada Assistance Plan .....	300,031,205	207,272,491
Medical Care Act .....	275,166,761	243,340,637
Post Secondary Education Adjustment Payment .....	142,685,004	153,636,996
Other .....	141,575,509	123,603,451
	1,511,315,226	1,261,102,792
Other .....	5,604,188	5,579,391
	1,516,919,414	1,266,682,183
REIMBURSEMENTS OF EXPENDITURES .....	19,250,582	10,298,674
INTEREST .....	455,128,405	369,974,321
	8,275,048,981	6,922,396,286

## EXHIBIT 4

## STATEMENT OF EXPENDITURE

Year ended March 31, 1975

	1975 \$	1974 \$
<b>GENERAL GOVERNMENT—</b>		
Office of the Lieutenant Governor .....	63,119	50,708
Office of the Assembly .....	7,730,354	6,452,427
Office of the Premier .....	1,230,972	1,119,296
Cabinet Office .....	1,328,506	871,983
Management Board of Cabinet .....	7,012,426	5,876,560
Office of Provincial Auditor .....	1,335,318	1,254,036
Government Services .....	268,950,838	179,998,482
Housing .....	70,361,549	36,965,826
Revenue .....	122,988,643	53,759,061
Treasury, Economics and Intergovernmental Affairs .....	1,035,527,279	864,582,863
<b>JUSTICE POLICY FIELD—</b>		
Justice Policy .....	291,623	308,167
Attorney General .....	85,324,537	68,118,668
Consumer and Commercial Relations .....	35,056,222	28,446,467
Correctional Services .....	102,237,445	86,326,051
Solicitor General .....	105,480,297	90,412,443
<b>RESOURCES DEVELOPMENT POLICY FIELD—</b>		
Resources Development Policy .....	531,715	349,689
Agriculture and Food .....	112,691,341	104,669,087
Energy .....	2,462,024	1,618,957
Environment .....	57,741,592	45,085,273
Industry and Tourism .....	36,794,479	25,849,738
Labour .....	14,183,339	11,923,055
Natural Resources .....	190,475,669	158,627,095
Transportation and Communications .....	811,719,954	684,357,637
<b>SOCIAL DEVELOPMENT POLICY FIELD—</b>		
Social Development Policy .....	854,226	493,794
Colleges and Universities .....	931,218,661	824,233,883
Community and Social Services .....	683,750,872	562,227,533
Culture and Recreation .....	180,006	
Education .....	1,598,245,151	1,410,345,445
Health .....	2,535,841,560	2,047,537,475
	<u>8,821,609,717</u>	<u>7,301,861,699</u>

## MANAGEMENT BOARD ORDERS

AMOUNTS AUTHORIZED AND EXPENDED THEREUNDER  
DURING THE YEAR ENDED MARCH 31, 1975

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
	<b>Office of the Lieutenant Governor</b>	\$	\$
March 18, 1975	Office of the Lieutenant Governor Program:		
	Office of the Lieutenant Governor .....	3,000	2,119
		3,000	2,119
	<b>Office of the Premier</b>		
April 15, 1975	Office of the Premier Program:		
	Office of the Premier .....	15,000	14,972
		15,000	14,972
	<b>Cabinet Office</b>		
April 15, 1975	Cabinet Office Program:		
	Main Office .....	10,000	9,753
April 15, 1975	Ministers Without Portfolio .....	125,000	87,653
		135,000	97,406
	<b>Management Board of Cabinet</b>		
March 6, 1975	Administration Program:		
	Minister's Office .....	35,000	18,919
March 6, 1975	Management Board Analysis Program:		
March 18, 1975	Programs and Estimates .....	65,000	49,386
	Personnel Administration .....	75,000	33,106
March 18, 1975	Management Board Audit Program:		
	Personnel Audit .....	8,000	—
March 18, 1975	Personnel Services Program:		
	French Language Services .....	90,000	90,000
April 15, 1975	French Language Services .....	50,000	27,159
March 18, 1975	General Services .....	50,000	20,783
April 15, 1975	Personnel Information Services .....	20,000	—
		393,000	239,353



DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
	<b>Ministry of Government Services</b>	\$	\$
	Ministry Administration Program:		
April 7, 1975	Main Office .....	80,000	78,526
March 25, 1975	Personnel Services .....	25,000	12,892
April 7, 1975	Financial Services .....	65,000	49,396
March 11, 1975	Administrative Services .....	70,200	55,462
	Provision of Accommodation Program:		
July 16, 1974	Land Acquisition .....	7,000,000	7,000,000
Nov. 12, 1974	Land Acquisition .....	5,000,000	5,000,000
March 25, 1975	Land Acquisition .....	9,882,300	7,765,422
	Upkeep of Accommodation Program:		
April 7, 1975	Program Administration .....	100,000	52,761
April 7, 1975	Repairs, Operation and Maintenance, Tenant Alterations .....	2,517,000	1,838,778
	Supply and Services Program:		
March 11, 1975	Program Administration .....	87,400	73,508
April 7, 1975	Supply Administration .....	20,000	3,919
Jan. 21, 1975	Printing and Stationery Services .....	100,000	100,000
March 11, 1975	Printing and Stationery Services .....	342,600	325,995
March 11, 1975	Special Services Administration .....	21,100	21,026
Feb. 4, 1975	Translation Services .....	23,500	20,951
March 11, 1975	Vehicle Repair and Trucking Services .....	36,800	34,189
Feb. 4, 1975	Government Mail Services .....	68,300	68,300
April 7, 1975	Government Mail Services .....	49,800	45,578
Feb. 18, 1975	Legislative Services .....	206,400	206,400
April 7, 1975	Legislative Services .....	93,600	93,600
April 15, 1975	Legislative Services .....	50,000	3,033
April 7, 1975	Employee Benefits .....	466,400	461,903
April 15, 1975	Employee Benefits .....	71,200	—
Jan. 7, 1975	Government, Banking, Payroll and Cheque- writing Services .....	572,800	572,800
April 7, 1975	Government, Banking, Payroll and Cheque- writing Services .....	481,000	337,334
March 11, 1975	Telecommunications .....	626,200	598,187
April 7, 1975	Citizens' Enquiry .....	16,200	11,418
		28,072,800	24,831,378
	<b>Ministry of Housing</b>		
	Housing Action Program:		
March 25, 1975	Administration .....	60,000	54,810
		60,000	54,810
	<b>Ministry of Revenue</b>		
	Ministry Administration Program:		
March 25, 1975	Legal Services .....	40,800	30,338
March 25, 1975	Audit Services .....	4,700	—
March 25, 1975	Financial Services .....	23,000	13,872
March 25, 1975	Administrative Services .....	22,600	16,863
March 25, 1975	Personnel Services .....	19,600	16,950

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
	<b>Ministry of Revenue—Continued</b>		
		\$	\$
	Administration of Taxes Program:		
March 11, 1975	Succession Duty .....	329,900	322,763
March 25, 1975	Retail Sales Tax and Other Taxes .....	176,900	175,923
	Municipal Assessment Program:		
March 25, 1975	Administration .....	21,400	15,245
March 25, 1975	Municipal Assessment Services .....	393,700	390,056
	Guaranteed Income and Tax Credit Program:		
March 25, 1975	Ontario Tax Credit System .....	328,500	268,509
		1,361,100	1,250,519
	<b>Ministry of Treasury, Economics and Intergovernmental Affairs</b>		
	Ministry Administration Program:		
April 7, 1975	Accounts .....	33,600	27,735
April 7, 1975	Office of Information Services .....	25,200	14,151
	Economic Policy and Intergovernmental Affairs Program:		
April 7, 1975	Office of Economic Policy .....	306,800	209,694
	Tax Reform Program:		
April 7, 1975	The Assessment Act .....	250,000	240,283
April 7, 1975	The Regional Municipal Grants Act .....	450,000	—
April 7, 1975	The Municipal Tax Assistance Act .....	225,000	113,964
		1,290,600	605,827
	<b>Ministry of the Attorney General</b>		
	Law Officer of the Crown Program:		
Jan. 28, 1975	Attorney General .....	64,000	64,000
March 11, 1975	Attorney General .....	19,000	15,521
March 6, 1975	Deputy Attorney General .....	9,000	535
July 11, 1974	Royal Commissions .....	238,000	238,000
Dec. 3, 1974	Royal Commissions .....	361,000	361,000
March 6, 1975	Royal Commissions .....	598,000	597,933
	Administrative Services Program:		
Feb. 18, 1975	Program Administration .....	1,673,500	1,673,500
April 15, 1975	Program Administration .....	8,000	494
March 6, 1975	Financial Management .....	99,500	98,995
March 6, 1975	Personnel Management .....	30,000	—
	Guardian and Trustee Services Program:		
March 6, 1975	Official Guardian .....	72,000	72,000
March 11, 1975	Official Guardian .....	119,000	118,934
March 6, 1975	Public Trustee .....	149,000	149,000
April 15, 1975	Public Trustee .....	51,000	50,983
March 6, 1975	Supreme Court Accountant .....	10,000	—
	Crown Legal Services Program:		
March 6, 1975	Crown Attorneys System .....	330,000	316,962
March 11, 1975	Crown Attorneys System .....	2,000	—
	Legislative Counsel Services Program:		
March 6, 1975	Legislative Counsel Services .....	25,000	23,334
	Courts Administration Program:		
March 6, 1975	Supreme Court of Ontario .....	212,000	210,378

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
<b>Ministry of the Attorney General—Continued</b>			
		\$	\$
March 11, 1975	Supreme Court of Ontario .....	4,000	—
March 11, 1975	County, District and Small Claims Court ..	898,500	898,500
March 18, 1975	County, District and Small Claims Court ..	995,000	993,669
March 11, 1975	Provincial Courts .....	1,335,500	1,335,500
March 18, 1975	Provincial Courts .....	1,311,000	1,310,614
<b>Administrative Tribunals Program:</b>			
March 6, 1975	Board of Negotiation .....	6,000	—
March 6, 1975	Criminal Injuries Compensation Board ....	12,000	—
March 6, 1975	Ontario Municipal Board .....	80,000	80,000
March 11, 1975	Ontario Municipal Board .....	250,000	231,868
		8,962,000	8,841,720
<b>Ministry of Consumer and Commercial Relations</b>			
<b>Ministry Administration Program:</b>			
March 6, 1975	Main Office .....	10,100	—
March 6, 1975	Management Secretariat .....	14,900	10,967
March 6, 1975	Administrative Services .....	24,000	14,059
March 6, 1975	Financial Services .....	53,700	42,793
March 6, 1975	Personnel Services .....	17,300	11,664
<b>Commercial Standards Program:</b>			
March 6, 1975	Securities .....	112,300	37,158
March 6, 1975	Financial Institutions .....	105,500	18,467
March 6, 1975	Motor Vehicle Accident Claims Fund ....	175,000	175,000
March 6, 1975	Motor Vehicle Accident Claims Fund ..	61,200	58,625
March 6, 1975	Companies .....	115,100	114,631
March 6, 1975	Business Practices .....	87,200	41,586
March 6, 1975	Commercial Registration Appeal Tribunal ..	4,500	—
<b>Technical Standards Program:</b>			
March 6, 1975	Program Administration .....	6,800	—
March 6, 1975	Operating Engineers .....	27,900	—
March 6, 1975	Boilers and Pressure Vessels .....	78,600	44,990
March 6, 1975	Elevating Devices .....	90,900	56,508
March 6, 1975	Energy .....	88,000	34,402
March 6, 1975	Upholstered and Stuffed Articles ..	7,400	7,326
<b>Public Entertainment Standards Program:</b>			
March 6, 1975	Regulation of Horse Racing .....	88,000	88,000
March 6, 1975	Regulation of Horse Racing .....	17,000	17,000
May 13, 1975	Regulation of Horse Racing .....	8,000	7,874
March 6, 1975	Theatres .....	23,900	22,833
March 6, 1975	Lotteries .....	6,800	534
<b>Property Rights Program:</b>			
March 6, 1975	Program Administration .....	4,100	—
March 6, 1975	Real Property Registration .....	46,000	46,000
March 6, 1975	Real Property Registration .....	729,000	729,000
April 15, 1975	Real Property Registration .....	70,000	69,698
March 6, 1975	Legal Surveys .....	32,400	32,036
March 6, 1975	Property Law .....	22,400	—
March 18, 1975	Personal Property Registration .....	600,000	470,601
<b>Registrar General Program:</b>			
March 6, 1975	Registrar General .....	185,400	129,617
		2,913,400	2,281,369

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of Correctional Services</b>		
	Ministry Administration Program:		
Feb. 18, 1975	General Administration .....	42,600	41,477
April 15, 1975	General Administration .....	19,400	—
Feb. 18, 1975	Planning and Support Services .....	65,900	65,900
April 15, 1975	Planning and Support Services .....	2,100	1,444
Feb. 18, 1975	Administrative and Financial Services .....	153,300	153,300
April 15, 1975	Administrative and Financial Services .....	36,700	35,852
Feb. 18, 1975	Personnel Services .....	201,200	201,200
April 15, 1975	Personnel Services .....	139,100	139,055
Feb. 18, 1975	Staff Training and Development .....	173,800	173,800
April 15, 1975	Staff Training and Development .....	9,200	9,180
April 15, 1975	Information Services .....	4,500	—
	Rehabilitation of Adult Offenders Program:		
Feb. 18, 1975	General Administration .....	173,100	173,100
April 15, 1975	General Administration .....	100,000	83,533
Feb. 18, 1975	Care, Treatment and Training of Adult Offenders .....	3,265,100	3,265,100
April 15, 1975	Care, Treatment and Training of Adult Offenders .....	1,860,900	1,467,704
Feb. 18, 1975	Ontario Board of Parole .....	20,000	11,069
April 15, 1975	Community Services—Adults .....	161,000	96,801
	Rehabilitation of Juveniles Program:		
April 15, 1975	General Administration .....	282,000	209,703
April 15, 1975	Care, Treatment and Training of Juveniles .....	1,088,700	429,200
Feb. 18, 1975	Community Services—Juveniles .....	446,700	446,700
April 15, 1975	Community Services—Juveniles .....	43,300	43,273
		8,288,600	7,047,391
	<b>Ministry of the Solicitor General</b>		
	Public Safety Program:		
March 11, 1975	Fire Safety Services .....	144,000	143,969
	Supervision of Police Forces Program:		
March 11, 1975	Police Training .....	156,000	156,000
April 7, 1975	Police Training .....	100,000	62,713
	Ontario Provincial Police Administration Program:		
March 11, 1975	Administration .....	107,000	61,747
March 11, 1975	Financial Management .....	15,000	13,171
March 11, 1975	Staff Inspection .....	49,000	29,872
March 11, 1975	In-Service Training .....	56,000	—
March 11, 1975	Properties .....	12,000	9,037
March 11, 1975	Personnel .....	28,000	17,839
March 11, 1975	Safety and Information .....	27,000	7,918
	Ontario Provincial Police Criminal and General Law Enforcement Program:		
March 11, 1975	Special Services .....	435,000	281,595



DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
<b>Ministry of the Solicitor General—Continued</b>		\$	\$
March 11, 1975	Transport .....	44,000	44,000
April 7, 1975	Transport .....	316,000	254,806
March 11, 1975	Communications .....	269,000	231,927
April 7, 1975	Quartermaster Stores .....	23,000	3,156
March 11, 1975	Records .....	13,000	—
March 11, 1975	Data Processing .....	7,000	—
March 11, 1975	Law Enforcement—Uniform .....	3,036,000	2,678,089
March 11, 1975	Law Enforcement—Civilian .....	231,000	198,174
March 11, 1975	Registration .....	41,000	35,389
Ontario Provincial Police Traffic Law Enforcement Program:			
March 11, 1975	Transport .....	44,000	44,000
April 7, 1975	Transport .....	316,000	254,809
March 11, 1975	Communications .....	269,000	231,928
April 7, 1975	Quartermaster Stores .....	23,000	3,156
March 11, 1975	Records .....	12,000	—
March 11, 1975	Data Processing .....	8,000	—
March 11, 1975	Law Enforcement—Uniform .....	3,037,000	2,678,092
March 11, 1975	Law Enforcement—Civilian .....	231,000	198,175
		9,049,000	7,639,562
<b>Resources Development Policy Field</b>			
Resources Development Policy Program:			
April 22, 1975	Resources Development Policy .....	30,000	27,215
		30,000	27,215
<b>Ministry of Agriculture and Food</b>			
Ministry Administration Program:			
April 15, 1975	Main Office .....	122,000	121,946
April 15, 1975	Legal Services .....	12,000	10,267
April 15, 1975	Financial and Administrative Services .....	67,000	33,779
Agricultural Production Program:			
April 15, 1975	Advisory Services .....	280,000	16,866
April 15, 1975	Crop Insurance .....	25,000	—
April 7, 1975	Assistance to Primary Food Production .....	335,000	—
Agricultural Marketing Program:			
April 15, 1975	Quality Control of Agricultural Products ..	350,000	199,568
Agricultural Education and Research Program:			
April 15, 1975	Education .....	140,000	69,259
April 15, 1975	Research .....	65,000	—
		1,396,000	451,685
<b>Ministry of Energy</b>			
Ministry Administration Program:			
March 11, 1975	Ministry Administration .....	119,000	105,151

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
	<b>Ministry of Energy—Continued</b>	\$	\$
April 22, 1975	Energy Policy Program:		
	Energy Policy .....	55,000	53,332
		174,000	158,483
	<b>Ministry of the Environment</b>		
	Ministry Administration Program:		
April 15, 1975	Information Services .....	19,000	—
April 15, 1975	Personnel Services .....	6,000	5,272
	Environmental Assessment and Planning Program:		
Feb. 4, 1975	Program Administration .....	150,000	125,818
April 15, 1975	Resource Assessment .....	10,000	10,000
April 22, 1975	Resource Assessment .....	45,000	37,839
April 15, 1975	Technical Support .....	15,000	15,000
April 22, 1975	Technical Support .....	85,000	70,208
	Environmental Control Program:		
March 18, 1975	Program Administration .....	370,000	370,000
April 22, 1975	Program Administration .....	80,000	59,542
April 15, 1975	Abatement .....	170,000	—
April 22, 1975	Abatement .....	80,000	—
		1,030,000	693,679
	<b>Ministry of Industry and Tourism</b>		
	Ministry Central Office Program:		
March 11, 1975	Main Office .....	15,000	13,498
April 7, 1975	Main Office .....	12,000	—
April 7, 1975	Strategic Planning .....	3,000	—
	Industrial Development Program:		
April 7, 1975	Program Administration .....	23,000	—
April 7, 1975	Service Industries Development .....	12,000	—
	Trade Development Program:		
April 7, 1975	Domestic Marketing Development .....	19,000	12,485
	Tourism Development Program:		
April 7, 1975	Program Administration .....	6,000	5,137
Jan. 21, 1975	Tourism Industry Development .....	56,000	32,517
Feb. 25, 1975	Tourism Industry Development .....	17,000	—
April 7, 1975	Tourism Industry Development .....	2,000	—
March 25, 1975	Tourism Marketing Development .....	50,000	—
April 7, 1975	Tourism Marketing Development .....	7,000	—
	Operations Program:		
April 7, 1975	Program Administration .....	34,000	28,732
March 18, 1975	Ontario House .....	75,000	75,000
April 7, 1975	Ontario House .....	35,000	33,036
March 11, 1975	Overseas .....	90,000	90,000
April 7, 1975	Overseas .....	23,000	23,000
April 15, 1975	Overseas .....	55,000	46,235
March 11, 1975	Ontario .....	48,000	48,000
April 7, 1975	Ontario .....	158,000	158,000
April 15, 1975	Ontario .....	25,000	24,339
	Communications Program:		
Jan. 7, 1975	Program Administration .....	13,000	13,000

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
<b>Ministry of Industry and Tourism—Continued</b>			
		\$	\$
April 7, 1975	Program Administration .....	9,000	5,901
Jan. 7, 1975	Information Services .....	205,000	205,000
April 7, 1975	Information Services .....	41,000	20,389
	Administration Program:		
April 7, 1975	Program Administration .....	13,000	9,583
April 7, 1975	Finance and Office Services .....	53,000	50,385
	Ontario Place Corporation Program:		
April 7, 1975	Ontario Place Operations .....	140,000	140,000
March 6, 1975	Ontario Place Development .....	4,704,900	4,704,900
		5,943,900	5,739,137
<b>Ministry of Labour</b>			
	Ministry Administration Program:		
Jan. 21, 1975	Main Office .....	115,000	82,655
March 18, 1975	Finance and Administration .....	72,000	50,328
March 18, 1975	Systems and Data Processing .....	55,000	28,747
	Occupational Safety Program:		
April 22, 1975	Construction Safety .....	40,000	35,620
	Industrial Relations Program:		
March 6, 1975	Conciliation and Mediation Services .....	100,000	82,176
April 7, 1975	Labour Relations Board .....	35,000	14,737
	Employment Services Program:		
March 25, 1975	Program Administration .....	7,500	—
	Women's Program:		
March 25, 1975	Office of the Executive Coordinator .....	67,000	50,424
March 11, 1975	Women Crown Employee Office .....	17,000	13,880
		508,500	358,567
<b>Ministry of Natural Resources</b>			
	Ministry Administration Program:		
March 6, 1975	Field Offices .....	325,000	325,000
April 15, 1975	Field Offices .....	458,000	427,203
March 18, 1975	Financial Management .....	134,000	134,000
April 22, 1975	Financial Management .....	65,000	64,452
April 22, 1975	Administrative Services .....	15,000	4,242
April 7, 1975	Personnel .....	47,000	26,023
	Land Management Program:		
March 18, 1975	Program Administration .....	91,000	90,532
April 15, 1975	Land and Water Protection .....	727,000	320,686
Jan. 21, 1975	Air Service .....	109,000	109,000
Feb. 11, 1975	Air Service .....	397,000	387,005
August 6, 1974	Extra Fire Fighting .....	2,625,000	2,625,000
Sept. 11, 1974	Extra Fire Fighting .....	1,000,000	1,000,000
Sept. 24, 1974	Extra Fire Fighting .....	500,000	500,000
Oct. 1, 1974	Extra Fire Fighting .....	1,000,000	1,000,000
Oct. 22, 1974	Extra Fire Fighting .....	1,000,000	1,000,000
Oct. 29, 1974	Extra Fire Fighting .....	700,000	700,000
Dec. 10, 1974	Extra Fire Fighting .....	500,000	499,741
April 22, 1975	Land, Water and Mineral Title Administration .....	139,000	—
Jan. 28, 1975	Conservation Authorities .....	1,000,000	1,000,000

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of Natural Resources—Continued</b>		
Feb. 25, 1975	Conservation Authorities .....	2,920,000	2,920,000
March 18, 1975	Conservation Authorities .....	52,500	52,500
March 18, 1975	Conservation Authorities .....	780,000	663,339
	<b>Outdoor Recreation Program:</b>		
March 18, 1975	Recreational Areas .....	1,313,000	1,313,000
April 22, 1975	Recreational Areas .....	235,000	193,395
April 7, 1975	Fish and Wildlife .....	670,000	670,000
April 15, 1975	Fish and Wildlife .....	20,000	20,000
April 22, 1975	Fish and Wildlife .....	26,000	4,081
April 22, 1975	Fish and Wildlife .....	299,000	—
April 22, 1975	St. Lawrence Parks Commission .....	40,000	38,389
	<b>Resource Products Program:</b>		
April 22, 1975	Program Administration .....	43,000	11,661
April 15, 1975	Forest Management .....	250,000	250,000
April 22, 1975	Forest Management .....	932,000	709,569
Jan. 21, 1975	Commercial Fish and Fur .....	285,000	285,000
April 15, 1975	Commercial Fish and Fur .....	29,000	10,714
		18,726,500	17,354,532
	<b>Ministry of Transportation and Communications</b>		
	<b>Ministry Administration Program:</b>		
April 7, 1975	Financial Services .....	70,000	41,151
April 7, 1975	Personnel Services .....	50,000	6,430
March 25, 1975	Policy Development and Research .....	775,000	—
	<b>Maintenance Program:</b>		
April 15, 1975	General Maintenance .....	2,200,000	2,200,000
April 22, 1975	General Maintenance .....	1,500,000	1,403,276
April 15, 1975	Winter Maintenance .....	2,100,000	1,758,718
April 7, 1975	District Administration .....	800,000	553,078
March 6, 1975	Roads in Unincorporated Townships in Northern Ontario .....	200,000	142,837
April 22, 1975	Municipal Maintenance .....	1,900,000	1,292,014
April 15, 1975	Supply and Special Services .....	260,000	198,635
April 7, 1975	Maintenance Administrative Services .....	80,000	79,711
	<b>Construction Program:</b>		
March 11, 1975	Construction and Property Acquisition .....	6,775,000	6,775,000
April 15, 1975	Construction and Property Acquisition .....	900,000	900,000
April 15, 1975	Construction and Property Acquisition .....	1,800,000	1,472,407
March 6, 1975	Development Roads .....	600,000	569,765
	<b>Public Operations Program:</b>		
Dec. 10, 1974	Go Transit .....	4,111,000	—
Feb. 25, 1975	Ontario Telephone Service Commission .....	105,000	65,336
Feb. 11, 1975	Ontario Northland Transportation Commission .....	500,000	500,000
March 25, 1975	Ontario Northland Transportation Commission .....	1,032,000	1,032,000
April 15, 1975	Ontario Northland Transportation Commission .....	766,000	738,567
	<b>Safety and Regulation Program:</b>		
March 25, 1975	Licensing .....	1,250,000	1,245,173
April 7, 1975	Examination, Inspection and Enforcement .....	500,000	429,946



DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	<b>Ministry of Transportation and Communications—Continued</b>		
Feb. 25, 1975	Ontario Highway Transport Board .....	70,000	41,355
		28,344,000	21,445,399
	<b>Ministry of Colleges and Universities</b>		
	Ministry Administration Program:		
Aug. 13, 1974	Main Office .....	65,000	65,000
Oct. 8, 1974	Main Office .....	50,000	50,000
Jan. 7, 1975	Main Office .....	28,000	28,000
Jan. 14, 1975	Main Office .....	30,700	13,882
	University Support Program:		
July 11, 1974	Grants for Universities and Related Organizations .....	99,000	—
March 25, 1975	University Advisory Committee .....	56,000	36,840
	Colleges and Adult Education Support Program:		
July 11, 1974	Grants for Colleges of Applied Arts and Technology and other Organizations .....	168,200	—
April 7, 1975	Ontario Council of Regents for Colleges of Applied Arts and Technology .....	25,000	24,666
	Student Affairs Program:		
March 25, 1975	Program Administration .....	140,000	139,218
Nov. 5, 1974	Student Support .....	356,000	356,000
Jan. 28, 1975	Student Support .....	1,600,000	1,600,000
Feb. 25, 1975	Student Support .....	640,000	640,000
March 18, 1975	Student Support .....	1,300,000	589,976
	Cultural and General Education Program:		
Jan. 7, 1975	Program Administration .....	75,100	75,100
Jan. 28, 1975	Program Administration .....	61,000	58,229
March 25, 1975	Provincial Institutions and Organizations ..	244,450	244,450
April 7, 1975	Provincial Institutions and Organizations ..	225,000	190,039
Jan. 7, 1975	Local and Regional Organizations .....	580,500	226,513
March 25, 1975	Province of Ontario Council for the Arts ..	150,000	150,000
		5,893,950	4,487,913
	<b>Ministry of Community and Social Services</b>		
	Ministry Administration Program:		
March 6, 1975	Main Office .....	121,700	121,572
Feb. 25, 1975	Board of Review .....	80,000	79,944
April 7, 1975	Financial and Administrative Services .....	29,400	29,400
April 15, 1975	Financial and Administrative Services .....	136,000	115,308
March 6, 1975	Program Development Administration .....	973,900	973,900
April 15, 1975	Program Development Administration .....	528,600	522,693
April 7, 1975	Communications .....	44,000	43,666
March 6, 1975	Research .....	190,100	117,828
March 6, 1975	Program Delivery Administration .....	687,500	687,487
March 6, 1975	Provincial Benefits .....	246,000	246,000
March 25, 1975	Provincial Benefits .....	129,000	128,175

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
	<b>Ministry of Community and Social Services—Continued</b>		
		\$	\$
Dec. 10, 1974	Transfer Payments and Grants .....	776,400	776,400
Feb. 4, 1975	Transfer Payments and Grants .....	29,700	6,700
	Social and Institutional Services Program:		
	Capital, Operating and Other Grants		
March 6, 1975	Operating Subsidies, Grants and Purchases of Service .....	3,055,500	3,055,500
April 7, 1975	Operating Subsidies, Grants and Purchases of Service .....	3,905,400	3,606,408
	Community Services Program: Subsidies and Grants to Community Groups and Agencies		
March 11, 1975	Community Participation and Citizenship ..	25,000	24,897
	Mental Retardation Program:		
Feb. 25, 1975	Mental Retardation .....	6,233,700	6,233,700
April 22, 1975	Mental Retardation .....	700,000	690,032
		17,891,900	17,459,610
	<b>Ministry of Education</b>		
	Ministry Administration Program:		
Jan. 21, 1975	General Administration .....	52,064,000	50,733,060
March 25, 1975	General Administration .....	40,100	—
April 22, 1975	General Administration .....	125,000	—
April 7, 1975	Education Data Processing .....	280,800	74,924
	Education Development and Administration Program:		
March 18, 1975	Curriculum Development .....	91,100	—
Feb. 11, 1975	Provincial Schools Services .....	167,000	157,191
March 18, 1975	Educational Programs in the Ontario Hospital Schools .....	243,900	243,893
April 15, 1975	Correspondence Courses .....	98,000	96,931
Jan. 21, 1975	Education Exchange and Special Projects ..	100,000	55,062
		53,209,900	51,361,061
	<b>Ministry of Health</b>		
	Ministry Support Services Program:		
March 25, 1975	Finance and Information Services .....	1,529,200	1,484,145
	Treatment and Rehabilitation Program:		
March 25, 1975	Health Insurance .....	15,000,000	14,863,527
March 25, 1975	General Hospitals and Related Activities ..	15,870,000	15,254,341
March 25, 1975	Extended Care and Rehabilitation Services	1,100,000	—
March 25, 1975	Psychiatric Services .....	7,749,500	7,646,496
March 25, 1975	Laboratory Services .....	580,000	575,061
		41,828,700	39,823,570
	<b>Total Management Board Orders .....</b>	<b>235,520,850</b>	<b>212,267,277</b>

## EXHIBIT 6

**STATUTORY APPROPRIATIONS  
AMOUNTS EXPENDED THEREUNDER  
DURING THE YEAR ENDED MARCH 31, 1975**

MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
<b>Office of the Assembly</b>	The Elections Act	Expenditure	207,086
	Contributions to Legislative Assembly	Expenditure	167,890
	Retirement Allowances Account		374,976
<b>Office of the Premier</b>	Premier's Salary	Expenditure	25,000
			25,000
<b>Cabinet Office</b>	Ministers Without Portfolio Salaries	Expenditure	20,918
			20,918
<b>Management Board of Cabinet</b>	Minister's Salary	Expenditure	17,981
			17,981
<b>Office of Provincial Auditor</b>	Provincial Auditor's Salary	Expenditure	42,014
			42,014
<b>Ministry of Government Services</b>	Minister's Salary	Expenditure	18,000
	Payments under Section 19 of the Public Service Superannuation Amendment Act	Expenditure	6,628
	Government Printing Account	Expenditure	186,608
	Employee Benefits (Government Contributions)	Expenditure	676,734
	Contract Security Deposits (Plan & Tender)	Charge	1,200
	Central Collection Services	Charge	15,839
	Reserve for Outstanding Cheques	Charge	2,735
			907,744
<b>Ministry of Housing</b>	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	Grants to Assist in the Erection of Housing Units for Elderly Persons	Expenditure	246,500
			269,500
<b>Ministry of Revenue</b>	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	27
	Province of Ontario Savings Office Program	Expenditure	2,241,560

MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
Ministry of Revenue (Cont'd)			\$
	Retail Sales Tax—Contract Security Deposits	Charge	86,512
			<u>2,346,099</u>
Ministry of Treasury, Economics and Intergovern- mental Affairs	Minister's Salary	Expenditure	17,981
	Parliamentary Assistants' Salaries	Expenditure	1,096
	<i>Public Debt</i>		
	Interest on Securities Issued		
	In Provincial Account	Expenditure	369,438,992
	On behalf of Ontario Hydro	Expenditure	97,622,688
	To Teachers' Superannuation Fund	Expenditure	85,436,700
	To Ontario Municipal Employees' Retirement Fund	Expenditure	39,250,570
	Interest on Public Service Superannuation Fund	Expenditure	48,370,561
	Interest on Savings Office Deposits	Expenditure	18,165,132
	Other Interest, Exchange, Discount and Commission	Expenditure	29,926,859
	<i>Urban and Regional Planning</i>		
	The District Municipality of Muskoka Act	Expenditure	218,547
	The Regional Municipality of York Act	Expenditure	20,346
	The Regional Municipality of Sudbury Act, 1972	Expenditure	76,307
	The Regional Municipality of Waterloo Act, 1972	Expenditure	32,614
	The Regional Municipality of Durham Act, 1973	Expenditure	31,947
	The Regional Municipality of Halton Act, 1973	Expenditure	31,837
	The Regional Municipality of Peel Act, 1973	Expenditure	32,652
	The Regional Municipality of Hamilton-Wentworth Act, 1973	Expenditure	36,634
	The Regional Municipality of Haldimand-Norfolk Act, 1973	Expenditure	22,714
	<i>Special Assistance to Municipalities</i>		
	The Whirlpool Rapids Bridge Act	Expenditure	36,000
	The Lewiston-Queenston Bridge Act	Expenditure	20,000
	<i>Regional Municipalities</i>		
	The Regional Municipality of Haldimand-Norfolk Act, 1973	Expenditure	49,617
	The Regional Municipality of Durham Act, 1973	Expenditure	6,242
	The County of Oxford Act, 1974	Expenditure	118,428
	<i>Development Loans</i>		
	The Ontario Education Capital Aid Corporation	Disbursement	87,370,000
	The Ontario Universities Capital Aid Corporation	Disbursement	38,069,013
	The Ontario Municipal Improvement Corporation	Disbursement	7,227,000



MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
<b>Ministry of Treasury, Economics and Intergovern- mental Affairs (Cont'd)</b>	<i>Other Loans and Advances</i>		
	Ontario Hydro	Disbursement	375,000,000
	Ontario Northland Transportation Commission	Disbursement	7,000,000
	The Crop Insurance Commission of Ontario	Disbursement	3,500,000
	Ontario Lottery Corporation	Disbursement	300,000
	Ontario Land Corporation	Disbursement	320,100,000
	<i>Pension Funds, Deposit, Trust and Reserve Accounts</i>		
	Queen Elizabeth II Ontario Scholarship Fund (Income Account)	Charge	23,631
	Payments from Public Service Superannuation Fund	Charge	42,281,435
	Payments from Legislative Assembly Retirement Allowances Account	Charge	277,249
	Miscellaneous	Charge	2,587,407
	<i>Debt Transactions</i>		
	Debenture Repayment	Repayments of loans	266,357,704
	Treasury Bills	Repayments of loans	90,000,000
	Federal-Provincial Employment Loans	Repayments of loans	3,366,733
			1,932,424,636
<b>Justice Policy</b>	Parliamentary Assistant's Salary	Expenditure	2,288
			2,288
<b>Ministry of the Attorney General</b>	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	507
	Proceedings Against the Crown Act	Expenditure	11,315
	Allowances to Supreme Court Judges	Expenditure	136,526
	Allowances to Judges—CH 451	Expenditure	213,842
	Allowances to Judges—CH 155	Expenditure	312,216
			692,406
<b>Ministry of Consumer and Commercial Relations</b>	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	4,178
	Crown Contributions re Judges' Plans	Expenditure	18,977
	Fees under The Vital Statistics Act	Expenditure	535
	Reserve for Outstanding Cheques	Charge	146
	Payments from The Motor Vehicle Accident Claims Fund	Charge	12,107,170
			12,149,006

MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
Ministry of Correctional Services	Minister's Salary Reserve for Outstanding Cheques	Expenditure Charge	18,000
			38
			18,038
Ministry of Solicitor General	Minister's Salary Hearings under the Police Act	Expenditure Expenditure	17,772
			1,553
			19,325
Resources Development Policy	Minister's Salary	Expenditure	18,000
			18,000
Ministry of Agriculture and Food	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	Payment of Guarantees: Payment to Chartered Banks re Guaranteed Loan Programs	Expenditure	35,690
	Subsidy Payments to the Ontario Crop Insurance Fund	Expenditure	3,868,613
	Tile Drainage Debentures	Disbursement	12,508,400
	Bequests and Scholarships— Richard Blake Palmer Trust Fund	Charge	1,958
			16,437,661
Ministry of Energy	Minister's Salary	Expenditure	17,981
	Parliamentary Assistant's Salary	Expenditure	4,973
	Ontario Energy Corporation	Disbursement	100,000,000
			100,022,954
Ministry of the Environment	Minister's Salary	Expenditure	18,000
	Reserve Fund for Renewals, Replacements and Contingencies	Charge	444,148
			462,148
Ministry of Industry and Tourism	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	Ontario Development Corporation Term Loan Program	Disbursement	24,118,544
	Northern Ontario Development Corporation Term Loan Program	Disbursement	10,089,860
	Eastern Ontario Development Corporation Term Loan Program	Disbursement	5,982,522
			40,213,926

MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
<b>Ministry of Labour</b>	Minister's Salary	Expenditure	18,000
	The Elevator Constructor Unions Disputes Act, 1973	Expenditure	13,394
	Unclaimed Vacation-with-Pay Trust Account	Charge	1,437
	Suspense Account	Charge	187
	Duplicate Payments	Charge	978
	Employment Standards—Unclaimed Wages	Charge	1,099
			35,095
<b>Ministry of Natural Resources</b>	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	4,973
	Mine Rescue Training	Expenditure	179,600
			202,573
<b>Ministry of Transportation and Communi- cations</b>	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	4,973
	City of Niagara Falls—Compensation for Loss of Taxes	Expenditure	12,000
	Toronto Area Transit Operating Authority	Expenditure	8,872,141
	Payments from Construction Trust Account	Charge	211,279
			9,118,393
<b>Social Development Policy</b>	Minister's Salary	Expenditure	18,000
			18,000
<b>Ministry of Colleges and Universities</b>	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	4,972
	Reserve for Outstanding Cheques	Charge	46
			23,018
<b>Ministry of Community and Social Services</b>	Minister's Salary	Expenditure	18,000
	Ontario Olympic Lottery Sports Fund	Charge	1,441,353
	National Study on Sports and Recreation	Charge	95,196
	Contract Security Deposits		
	Athletics Commissioner	Charge	15,629
	Coaching Development Program	Charge	90,000
	Bequests and Scholarships	Charge	258
			1,660,436

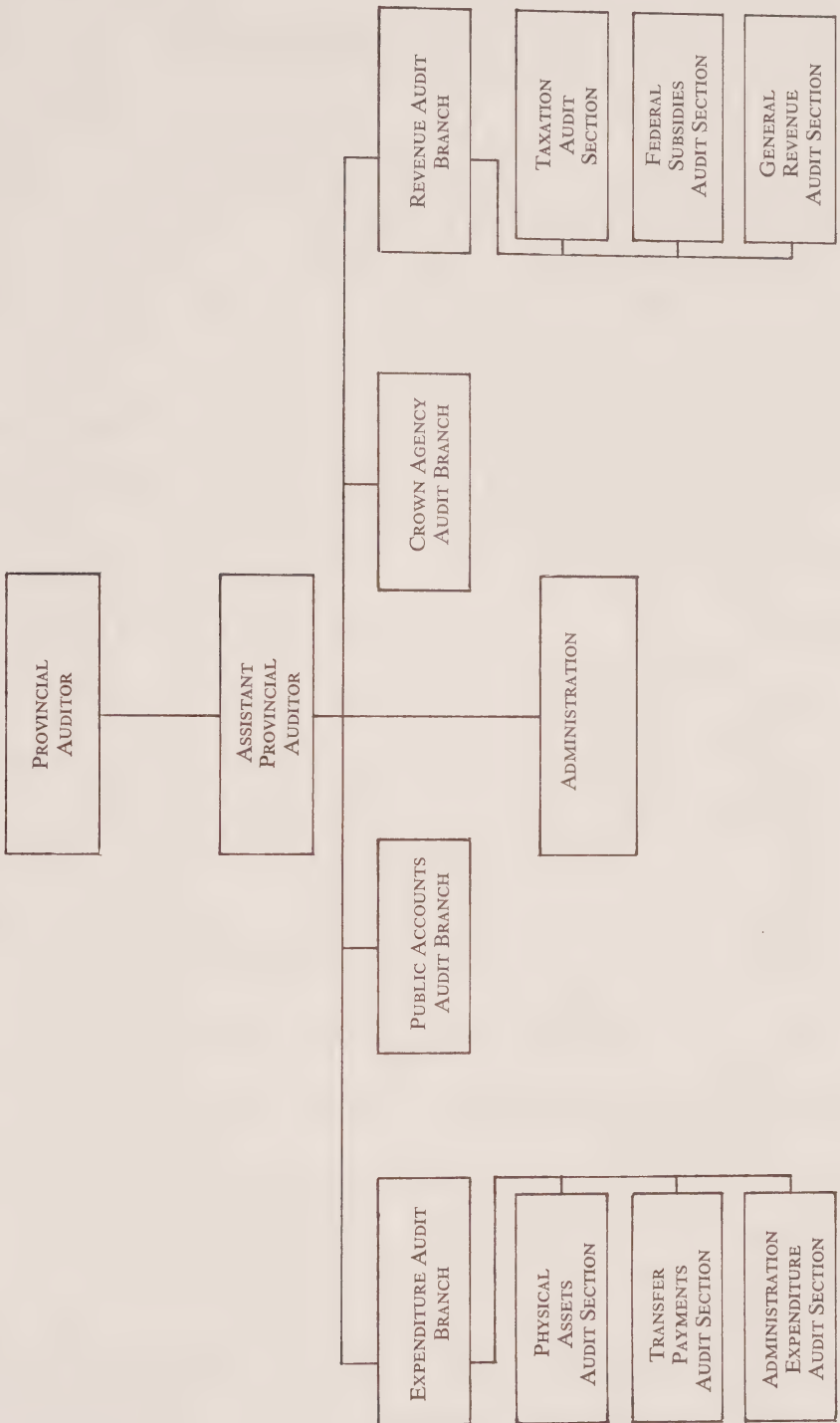
MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
<b>Ministry of Culture and Recreation</b>	Minister's Salary	Expenditure	3,107
	Parliamentary Assistant's Salary	Expenditure	1,055
	Ministry Administration	Expenditure	175,844
			180,006
<b>Ministry of Education</b>	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	Teachers' Superannuation Fund	Expenditure	65,415,322
	Student Aid Loans Write-Off	Expenditure	42,685
	Payments Pursuant to the Regional Municipality of Durham Act, 1973	Expenditure	10,677
	Bequests and Scholarships	Charge	780
			65,492,464
<b>Ministry of Health</b>	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	4,972
	Reserve for Outstanding Cheques	Charge	165,954
	Estates' Funds	Charge	4,410
	Hospital Trust Accounts	Charge	11,603
			204,939
	<b>Total Statutory Payments</b>		<b>2,183,399,544</b>

## Summary of Statutory Payments

	\$
Expenditure .....	772,540,091
Disbursements and Charges .....	1,051,135,016
Repayments of Loans .....	359,724,437
<b>Total .....</b>	<b>2,183,399,544</b>



## EXHIBIT 7

ORGANIZATION CHART  
OFFICE OF PROVINCIAL AUDITOR

**REVENUE AND EXPENDITURE AUDITS  
OFFICE OF PROVINCIAL AUDITOR****Year Ended March 31, 1975**

Administrative Expenditure, Ministry of Agriculture and Food  
Revenue, Ministry of Agriculture and Food  
Expenditure, Ministry of the Attorney General  
Revenue, Ministry of the Attorney General  
Administrative Expenditure, Ministry of Colleges and Universities  
Revenue, Ministry of Colleges and Universities  
Transfer Payments, Ministry of Colleges and Universities  
Administrative Expenditure, Ministry of Community and Social Services  
Revenue, Ministry of Community and Social Services  
Revenue and Trust Funds, Adult Occupational Centre, Ministry of  
Community and Social Services  
Revenue and Trust Funds, Huronia Regional Centre, Ministry of  
Community and Social Services  
Revenue and Trust Funds, Oxford Regional Centre, Ministry of  
Community and Social Services  
Revenue and Trust Funds, Prince Edward Heights, Ministry of  
Community and Social Services  
Transfer Payments, Ministry of Community and Social Services  
Expenditure, Ministry of Consumer and Commercial Relations  
Revenue, Ministry of Consumer and Commercial Relations  
Expenditure, Ministry of Correctional Services  
Revenue, Ministry of Correctional Services  
Revenue and Trust Funds, Brookside School, Ministry of Correctional Services  
Revenue and Trust Funds, Burwash Correctional Centre, Ministry of  
Correctional Services  
Revenue and Trust Funds, Cecil Facer School, Ministry of Correctional  
Services  
Revenue and Trust Funds, Pine Ridge School, Ministry of  
Correctional Services  
Revenue and Trust Funds, Sprucedale School, Ministry of  
Correctional Services  
Administrative Expenditure, Ministry of Education  
Revenue and Trust Funds, Ministry of Education  
Revenue and Trust Funds, The Ernest C. Drury School,  
Ministry of Education  
Revenue and Trust Funds, The W. Ross McDonald School,  
Ministry of Education

Revenue and Trust Funds, The Sir James Whitney School,  
Ministry of Education  
Transfer Payments, Ministry of Education  
Administrative Expenditure and Transfer Payments,  
Ministry of the Environment  
Review of Bank Reconciliations and Related Activities,  
Ministry of Government Services  
Administrative Expenditure and Transfer Payments,  
Ministry of Government Services  
Revenue, Ministry of Government Services  
Administrative Expenditure, Ministry of Health  
Disbursements, Ministry of Health  
Medical Care Act Final Cost Report, 1973-74, Ministry of Health  
Revenue, Ministry of Health  
Revenue and Trust Funds, Goderich Psychiatric Hospital, Ministry of Health  
Revenue and Trust Funds, Lakehead Psychiatric Hospital, Ministry of Health  
Revenue and Trust Funds, Whitby Psychiatric Hospital, Ministry of Health  
Transfer Payments, Ministry of Health  
Expenditure, Ministry of Housing  
Expenditure, Ministry of Industry and Tourism  
Revenue, Ministry of Industry and Tourism  
Expenditure, Ministry of Labour  
Revenue and Trust Funds, Ministry of Labour  
Acquisition and Construction of Physical Assets,  
Ministry of Natural Resources  
Administrative Expenditure, Ministry of Natural Resources  
Transfer Payments, Ministry of Natural Resources  
Transfer Payments, Ministry of Revenue  
Expenditure and Trust Funds, Ministry of the Solicitor General  
Revenue, Ministry of the Solicitor General  
Acquisition and Construction of Physical Assets, Ministry of  
Transportation and Communications  
A Review of Collection and Remittance of Licence Fee Revenue and Ontario  
Retail Sales Tax by Motor Vehicle Licence Issuing Offices,  
Ministry of Transportation and Communications  
Revenue, Ministry of Transportation and Communications  
Revenue, Registrar of Motor Vehicles, Ministry of  
Transportation and Communications  
Transfer Payments, Ministry of Transportation and Communications  
Finance Management Branch, Ministry of Treasury, Economics and  
Intergovernmental Affairs  
Revenue, Ministry of Treasury, Economics and Intergovernmental Affairs

Securities Branch, Ministry of Treasury, Economics and  
Intergovernmental Affairs

Transfer Payments and Acquisition/Construction of Physical Assets, Ministry  
of Treasury, Economics and Intergovernmental Affairs

Revenue and Expenditure, Management Board of Cabinet

Office of the Premier, Cabinet Office, Justice Policy, Resources Development  
Policy and Social Development Policy

NOTE: Generally speaking, this listing includes audits completed between the date of preparation (October 31, 1974) of our 1973-74 Report and the date of preparation (October 31, 1975) of our 1974-75 Report. In virtually all cases at least a portion of the period covered by the audit fell within the year ended March 31, 1975.



**CROWN AGENCY AUDITS  
OFFICE OF PROVINCIAL AUDITOR**

**Year Ended March 31, 1975**

- (a) Audited by Provincial Auditor pursuant to appointment under the various related statutes.

The Accountant of the Supreme Court of Ontario  
Agricultural Rehabilitation and Development Directorate of Ontario  
Agricultural Research Institute of Ontario (Note 2)  
Alcoholism and Drug Addiction Research Foundation  
Algonquin Forestry Authority (established in 1974-75)  
The Centennial Centre of Science and Technology  
\*The Crop Insurance Commission of Ontario  
\*Eastern Ontario Development Corporation  
The Fund for Milk and Cream Producers, The Milk Commission  
of Ontario  
Health Insurance Registration Board  
The John Graves Simcoe Memorial Foundation  
The Law Society of Upper Canada, Legal Aid Fund  
\*Liquor Control Board of Ontario  
Liquor Licence Board of Ontario  
The McMichael Canadian Collection  
The Niagara Parks Commission (October 31, 1974)  
\*Northern Ontario Development Corporation  
Office of the Assembly (established in 1974-75)  
The Office of The Official Guardian  
The Ontario Cancer Treatment and Research Foundation  
(December 31, 1974)  
Ontario Deposit Insurance Corporation (December 31, 1974)  
\*Ontario Development Corporation  
\*The Ontario Education Capital Aid Corporation  
The Ontario Educational Communications Authority  
Ontario Food Terminal Board  
Ontario Heritage Foundation  
\*Ontario Housing Corporation, including Ontario Housing  
Corporation—Metropolitan Toronto Federal-Provincial  
Projects (December 31, 1974)  
\*The Ontario Junior Farmer Establishment Loan Corporation  
\*Ontario Lottery Corporation (established in 1974-75)  
\*The Ontario Municipal Improvement Corporation  
\*Ontario Northland Transportation Commission  
(December 31, 1974)  
Ontario Place Corporation

The Ontario Producers, Processors, Distributors and  
Consumers Food Council

Ontario Racing Commission

Ontario Stock Yards Board (June 30, 1975)

\*Ontario Student Housing Corporation (December 31, 1974)

The Ontario Telephone Development Corporation  
(December 31, 1974)

\*The Ontario Universities Capital Aid Corporation

Pension Commission of Ontario

Province of Ontario Council for the Arts

Public Service Superannuation Fund

The Public Trustee of The Province of Ontario

The Sheridan Park Corporation

The St. Lawrence Parks Commission

(b) Audited by Provincial Auditor pursuant to appointment by shareholders or membership bodies.

Canadian Conference on Historical Resources

\*Ontario Mortgage Corporation (formerly Housing Corporation  
Limited) (December 31, 1974)

Ontario Canteen Fund

Ontario Industrial Training Institute

Soldiers' Aid Commission

Star Transfer Limited (December 31, 1974)

(c) Audited by Provincial Auditor pursuant to the provisions of the Audit Act.

Legislative Assembly Retirement Allowances Account

Motor Vehicle Accident Claims Fund

The Province of Ontario Savings Office

(d) Audited by Public Accountants subject to direction or review by the Provincial Auditor.

\*Ontario Land Corporation (established in 1974-75)

Toronto Area Transit Operating Authority (established in 1974-75)

Workmen's Compensation Board (December 31, 1974) (Note 3)

\*Financial Statements reproduced in Volume 2 of the Public Accounts 1974-75.

Note 1: In all cases the audit covered the fiscal year or period of the Agency concerned. In most instances the fiscal year or period ended on March 31, 1975. Where the Agency's fiscal period ended on a date other than March 31, 1975, such date has been indicated in parenthesis.

Note 2: Audit previously performed in conjunction with the Revenue and/or Expenditure Audits of the Ministry of Agriculture and Food.

Note 3: Provincial Auditor's involvement effective March 15, 1974 as a result of amendments to The Workmen's Compensation Act.

## EXHIBIT 10

**RECOMMENDATIONS OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS IN ITS INTERIM REPORT TO THE LEGISLATIVE ASSEMBLY DATED JULY 10, 1975**

1. Arising out of the statement of the Auditor to the Public Accounts Committee April 8th, 1975, the Committee recommends again that costs of Boards and Commissions be regulated and controlled and that budgets be struck and that specific regulations in regard to these Boards and Commissions be laid down by Management Board of Cabinet.
2. In view of the fact that no interest has been charged and no repayments made on the loans to commercial fishermen from the Ministry of Natural Resources the Committee again recommends to the Ministry of Natural Resources that they review this situation with a view to removing these loans from their books.
3. The Committee again recommends that the Student Awards Program have some penalties incorporated in it for those who try to defraud the system.
4. The Committee also recommends again most strongly that adequate guidelines be drawn up with respect to the use and security of information used and stored by the government computer service.
5. The Committee further recommends that at the next Session during which the Public Accounts Committee will be active that the Committee receive a report from the Auditor in regard to the Ontario Educational Communications Authority.
6. Item 116—Weaknesses in Accounting Procedures and Controls, Ministry of Industry and Tourism.

The Committee found that there was some laxity in the regulations in regard to the purchasing within the Ministry. Correspondence from the Deputy Minister has indicated that these procedures have been tightened up. The Committee recommends that the Auditor monitor closely this situation to ensure that purchasing is in line with Management Board orders.

7. Item 117—Advertising Expense, Ministry of Labour.

The Committee has been informed that we now have an agency of record, Foster Advertising, which in fact does the buying of media time for the government as a whole. This has led to savings for the provincial government.

An agency of record is "the advertising agency appointed to act as senior purchasing authority for all media space and time purchased on behalf of the Ontario Government."

The Committee recommends that advertising expenditures of government Ministries and agencies be confined to providing information as to government programs or where they can be applied for.

8. Item 121—Claim Payments, Ontario Health Insurance Plan, Ministry of Health.

The Committee received a full account from the Ministry of Health as to their attempts to provide a series of checks on doctors participating in OHIP and their patients. The Public Accounts Committee recommends that a Committee be set up under OHIP with medical representatives to advise and investigate any possible defrauding of OHIP by patients or doctors.

The Committee is of the opinion that this matter should be under the direct control of the Ministry of Health.

9. Item 107—Operating Grants to Community Mental Health Facilities, Ministry of Health.

The Committee recommends that all financial transactions be carried out in accordance with Management Board regulations in that written confirmation be provided before any authorization for expenditure of funds is given.

10. Item 109—Queen Street Mental Health Centre, Ministry of Health.

The Committee recommends that the Auditor continue to monitor the situation at the Queen Street Mental Health Centre to ensure that regulations are being followed.

11. In the matter of the Gasoline Tax and Motor Vehicle Fuel Tax the Ministry of Revenue advises that the Gasoline Tax arrears as of March 31st, 1974, were \$109,362.00 with doubtful accounts of \$46,061 and the Motor Vehicle Fuel Tax was \$504,002 after allowance of doubtful accounts of \$117,564.

The Committee recommends that the Ministry of Revenue monitor their accounts to ensure that no one operator be allowed to accumulate arrears over the sum of \$5000 or over a ninety day period without action being taken to collect the arrears.

12. Item 87—Examination of Lottery Records, Ministry of Consumer and Commercial Relations.

The Committee found that 20 per cent of the total receipts collected were going to expenditures of running the lottery. The Committee feels that



this figure is much too high and should be in the neighbourhood of 15% and in no case should be over 20%.

As well, the Committee recommends that any lottery over \$10,000 in total prize money should be subjected to certified returns under the Public Accountancy Act.

The Committee further recommends that the staff of the Lottery Branch be instructed to provide more extensive examination both to the actual operation of the lottery and the returns that are filed.

13. Item 98—A Review of Catering Agreements, Ministry of Government Services.

The Committee is not satisfied with the handling of the tendering for the Legislative Dining Room under the Ministry of Government Services.

The Committee recommends that in the future when new specifications are prepared and new tenders called that all those who had tendered be informed of any changes in the specifications or tendering requirements.

14. Item 118—The Employment Standards Act, Ministry of Labour.

The Committee recommends that the Ministry of Labour increase the number of audits of the employers books where a Self-Audit Pay Direct has been authorized and unclaimed wages have not been turned in with the required audit completion report.

15. Item 152—Northern Ontario Development Corporation.

Re: Minaki Lodge

The Committee has found that a consultant's fee has been paid on a continuing basis for consultation services that have not been provided. It appears to be government practice that in sensitive negotiations with personnel the government proceeds by paying a consultant's fee to the affected person.

The Committee recommends strongly that this practice be discontinued in all ministries.

The Committee further recommends that the government issue a statement on the future of Minaki Lodge.

16. Item 158—Pension Commission of Ontario.

The Committee recommends that the Auditor continue to monitor the situation and that the Pension Commission ensure that the annual returns that are required by law be submitted for the pension plans involved.

17. Item 163—Soldiers' Aid Commission and Ontario Canteen Fund.

The Committee recommends that the Ontario Canteen Fund affairs be wound up. The Committee further recommends that in view of the costs of dispensing assistance that the Soldiers' Aid Commission be phased out and administration of the program be assumed by the Ministry of Community and Social Services.

18. Item 154—Ontario Housing Corporation.

The Committee recommends that the Auditor report to the Committee in the next Session as to the progress of Ontario Housing Corporation in implementing the Auditor's recommendations. These recommendations include:

1. increased effort to insure that the income of tenants in rental housing properties is verified on an annual basis.
2. immediate action to correct observed deficiencies in the handling of N.S.F. cheques.
3. incorporation of monthly follow-up and balancing procedures in the new accounting system being developed for the rent supplement program.
4. improved internal control over receipts through prompt deposit of cheques received.

19. Item 128—GO Transit Operations, Ministry of Transportation and Communications.

GO Dial a Bus—The Committee recommends that where it is obvious that the public transportation being provided is overly costly that the experimental or demonstration projects be dispensed with.

The Committee recommends that these systems be reviewed periodically on a cost benefit analysis so that the advisability of continuing the service might be demonstrated.

20. Item 159—Province of Ontario Council for the Arts.

The Committee recommends that the Ontario Council for the Arts be made more aware of their responsibility in the use of public monies and and that expense accounts particularly be very carefully monitored. The practice of entertaining people who are approaching the Council for grants at the Council's expense should be discontinued.

21. Item 137—Federal-Provincial Agreements.

The Committee also recommends that the provincial government continue to negotiate with the federal government with a view to having the federal government assist in the payment of administration costs on a percentage basis.

Further the Committee recommends that the provincial government continue to advance the principle of advance payments with the federal government so as to relieve the province from borrowing money in advance to pay for the joint federal-provincial programs.

22. Items 77 and 78—Management Board Orders and Special Warrants.

Management Board Orders are orders for additional monies for the expansion of existing programs.

Special Warrants are requests for monies for entirely new programs generally in regard to matters of emergencies, disasters or other matters unforeseen.

The Committee reiterates the recommendation of the Public Accounts Committee of November 15, 1973, "that the Treasurer introduce legislation which would require Management Board orders and Special Warrants be placed before the Legislature for ratification".

The Committee feels this is in line with the responsibility and accountability of the government to the Legislature.

23. Item 144—Wording of Audit Provision in Agency Legislation.

The Provincial Auditor brought to the attention of the Legislature and this Committee the inconsistency of the audit provision in agency legislation.

The Committee recommends that all agency legislation provide for a uniform audit provision that would require the Provincial Auditor to perform or direct the annual audit of Crown Corporations and Agencies.

24. The Audit Act.

The Committee was advised that certain sections of The Audit Act are redundant now that the Province is on a post-audit basis. Therefore, the Committee recommends that consideration be given to drafting a new Audit Act. This Act should include provisions with respect to:

1. the protection of the Provincial Auditor and his staff appearing before a Committee of the Assembly;
2. relationship of the Auditor to the Standing Committee on Public Accounts.

The Committee requests that the new Audit Act be referred to the Standing Committee on Public Accounts by the Legislature for clause by clause review.

















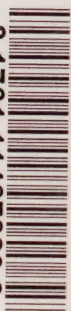


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